

## **FACTOR 1 – NEED AND MARKET CONDITIONS (40 points)**

### **A. Target Geography (10 points)**

The Consortium is comprised of the governmental entities of the City of Minneapolis, City of Brooklyn Park, and Hennepin County, the three largest units of local government to actively engage in foreclosure recovery efforts within Hennepin County. The highest numbers of foreclosures in Hennepin County occur in Minneapolis and Brooklyn Park. For efficiency in administration, Hennepin County is applying on behalf of the other six cities in suburban and exurban Hennepin County with significant foreclosure problems.

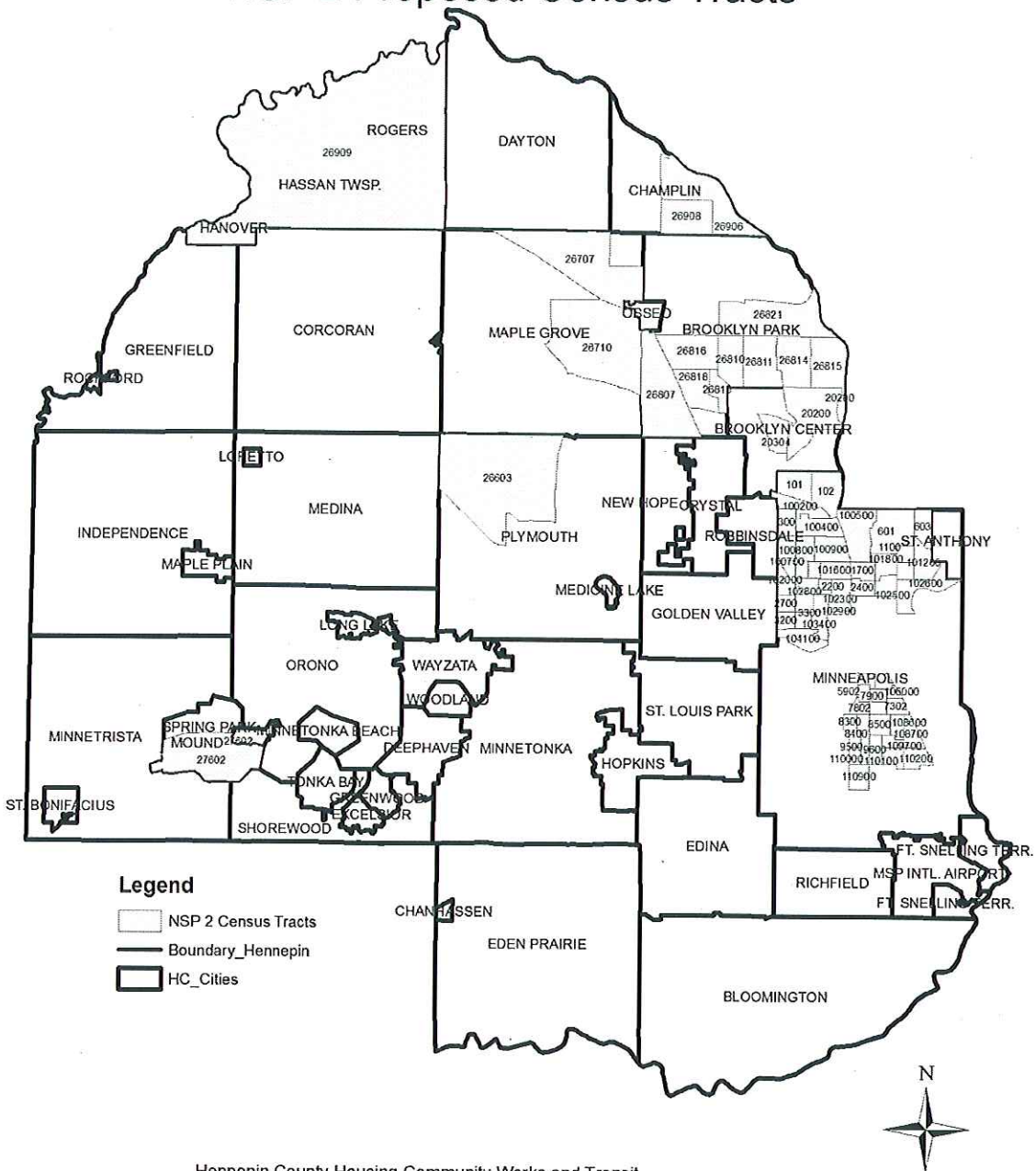
The Consortium's target area includes 73 census tracts (see map 1) in three connected yet distinct areas: (1) **Urban Core-Minneapolis**, 55 census tracts (75%); (2) **Suburban-Brooklyn Park and Hennepin County**, 11 census tracts (15%); and (3) **Exurban and Outer Ring Suburbs-Hennepin County**, 7 census tracts (10%). The Consortium's target area has an average combined index score of 18.12 based on the HUD-provided indices on the estimated number and percentages of foreclosures and estimated foreclosures with vacancy rate. (See APPENDIX 1).

Hennepin County, located within the Minneapolis-St. Paul Metropolitan Statistical Area (MSA), is the largest county in the State of Minnesota. There are 46 municipalities within the county, with an estimated population of over 1.2 million people. Approximately one-third of the county's population lives in Minneapolis and the remaining two-thirds reside in suburban and exurban Hennepin County. The county encompasses 611 square miles.

Consistent with national trends, the cities within Hennepin County have been significantly impacted by high rates of mortgage foreclosure. The number of mortgage foreclosure sales in Hennepin County increased from 920 in 2002 to 7,086 in 2008. The stability of the urban core and suburban census tracts has been significantly and impacted by the drastic decline in property values, the high level of fraudulent mortgage activities, and the disproportionate effect of foreclosures on people of color. The urban core and suburban census tracts, like the entire Twin Cities housing market, experienced significant increases in home values from 2004 through mid-2006, after which home values started to stabilize and then decline in 2007. The rapid rise in home values in 2004 and 2005 caused unrealistic expectations of what could be supported in the market. Home buyers, during this period, bought at the peak of the market with the belief that values would rise even further.

Contrary to expectations, the market plunged and buyers with mortgages at these higher values now have homes where the value, in many cases, is lower than the mortgage amount. If a buyer was experiencing difficulty in paying their mortgage, there was no ready market for these homes at the mortgage price as values had dropped significantly. This situation led to increased foreclosures and abandonment of property as there was little recourse for owners who could not pay their mortgage and did not have sufficient funds to avert a foreclosure.

## NSP 2 Proposed Census Tracts



Map 1: NSP 2 Proposed Census Tracts



To exacerbate the problems caused by declining property values, subprime mortgages were rampant in the urban core and inner-ring neighborhoods where predatory lending practices unfairly targeted lower income buyers and people of color. The Consortium's target area experienced some of the most concentrated fraudulent mortgage activities and racial disparities in mortgage lending in the Twin Cities region and the entire country. The Twin Cities is in the top 10 highest rated metropolitan area with fraudulent mortgage activity in the country (<http://www.startribune.com/20585019.html>).

The exurban census tracts within Hennepin County are also characterized by subprime mortgages and a housing glut that lured many people to buy bigger homes than they could sustain. Subprime loans accounted for approximately 24.5% of exurban/suburban originations in 2006, resulting in family budgets stretched thin and strained to make monthly mortgage payments on loans whose rates were rising faster than families could afford.

Hardest hit during the national crisis have been areas such as the Consortium's target area, which has high proportions of older and lower-valued homes and higher proportions of households at lower incomes. Many of these households in earlier years took advantage of low mortgage interest rates and what they believed to be highly desirable mortgage terms to move into homeownership. In many cases, homeowners were taken advantage of by unscrupulous lenders and were in somewhat tenuous financial positions prior to the economic slowdown. As discussed above, households most at risk were often those of minority racial and ethnic backgrounds and those with lower household incomes or households with credit scores that would not typically qualify them for a home mortgage based on traditional qualifying levels.

An analysis, performed by the Minnesota Housing Finance Agency, of the Consortium's credit needs shows that the Consortium's census tracts with higher foreclosure and vacancy risk scores have had access to credit, but not on particularly favorable terms. The analysis examined three measures of credit: 1) the number of prime and subprime lenders originating a loan in a census tract per 100 homeowners in the tract, 2) the percentage of mortgage originations in the census tract that were subprime, and 3) the percentage of mortgage applications that result in origination through data provided under the Home Mortgage Disclosure Act (HMDA). Compared with all census tracts that have lower foreclosure and vacancy scores in the Consortium, the target area census tracts have more lenders originating subprime loans. Within the Consortium, foreclosure is concentrated in lower income census tracts. Families living in these areas tend to have less access to low-cost credit than residents in tracts with lower foreclosure rates. As has been documented in many studies, a probable cause of this phenomenon is predatory lending. The Census analysis shows a high correlation between higher foreclosure and vacancy risk scores and the number of subprime lenders and mortgage originations.

**B. Market Conditions and Demand Factors (30 points)**

**Absorption Rate**

Maxfield Research Inc. a Twin Cities based research firm estimated the absorption rate for foreclosed/vacant properties in the target area. The methodology they used to determine the absorption rate utilized the number of vacant properties in each of the target areas, the change in monthly sales activity for each of the areas between 2008 and 2009, and the current supply of homes available (vacant and other non-vacant listed properties). Based on most recent market activity including counts of lender-mediated sales in each of the areas and average days on market for single-family and multifamily dwelling units, Maxfield Research Inc. divided the number of vacant units by the average resale market activity as balanced against months of supply. The results are shown on the table below.

| ABSORPTION ESTIMATES  |             |               |             |
|---|-------------|---------------|-------------|
| TARGET AREAS  |             |               |             |
| FORECLOSURES  |             |               |             |
| 2009  |             |               |             |
| Absorption Estimates  | # of Months |               |             |
|   | Suburban HC | Brooklyn Park | Minneapolis |
| Avg. Total Absorption   | 24 mos      | 28 mos        | 36 mos      |
| Sources: Realty Trac; Minneapolis Area Association of Realtors;<br>Hennepin County Sheriff's Office; Maxfield Research Inc. |             |               |             |

As estimated by Maxfield, the Consortium will see absorption of abandoned or foreclosed homes within two to three years. This absorption rate does not fully demonstrate or account for the dramatic neighborhood instability caused by highly concentrated foreclosures within many of the census tracts of the Consortium's target area of significant note. In Minneapolis, as well as in inner-ring neighborhoods in suburban Hennepin County, speculators are purchasing a large number of homes as investment property and turning these units into scattered-site rental housing. That while leading to greater absorption may have the long term affect of undermining neighborhood stability. It is of utmost concern that some of these investors are renting these homes with minimal maintenance.

Vacancies have increased in the previous three years in the local housing market in the Urban Core Minneapolis target areas. This is attributable to the high foreclosure rates in this target area. Additionally, Minneapolis has seen a spike in the total number of vacant and boarded properties. Currently, over 855 properties are vacant and boarded in Minneapolis, a number that has nearly tripled from three years ago. In Minneapolis, almost 90% of the vacant and boarded properties are located within the target area. This does not account for all the foreclosed properties that are vacant but not boarded and the properties that have been abandoned that may not be on the vacant and boarded registry.



Based on the 2000 Census and the American Community Survey, the target area residential properties are estimated to account for 34% of all residential properties in Minneapolis. In Minneapolis, the average time a residential property is on the vacant and boarded registry (VBR) in the Minneapolis target area has increased eight times from the first quarter of 2005 through the fourth quarter of 2008. In Brooklyn Park, vacancies in the target area account for 640 of the 785 vacant units city-wide, or 82% of vacant properties in Brooklyn Park.

### Over-Valuation

A critical factor causing abandonment and foreclosure in the Consortium target area is that of over-valuation. According to the most recent data released by Standard and Poor's Schiller Price Home Index as of May 2009, the Twin Cities metro area experienced the largest percentage drop in one month of any metro area in the history of the index. Home prices fell 6.1% from February 2009 to March 2009. The Twin Cities metro area housing market experienced significant increases in home values from 2004 through mid-2006, after which home values started to stabilize and then decline from 2007 to 2009. The Minneapolis Area Association of Realtors reports the median sale price of homes in the Twin Cities decreased from \$227,495 in 2007 to \$165,000 in 2009, a 27.5% decrease. The table below shows the home value decline specific to the Consortium's target areas.

| Decline in home values from 2007 to 2009 |                     |            |                |
|--|---------------------|------------|----------------|
|  | Average Sales Price |            |                |
| Geographic area                          | June 2007           | June 2009  | Percent Change |
| Minneapolis                              | \$ 280,358          | \$ 189,455 | -32%           |
| Brooklyn Park                            | \$ 262,920          | \$ 144,638 | -45%           |
| Hennepin County(*)                       | \$ 253,700          | \$ 218,600 | -14%           |

(\*) \$253,700 for 2nd quarter of 2007 and \$218,600 for 1st quarter of 2009

Source: Minneapolis Area Association of Realtors

Since 2007, the average days on the market for Minneapolis properties is 127. The average days on market for a property in Brooklyn Park is currently 75, but depending on the desirability and condition of lender-mediated homes, these homes may remain on the market longer than the average. This situation may cause further risk to the values of existing homes in the target areas that are not foreclosed, effectively reducing all property values.

Unemployment also has contributed significantly to abandonment and foreclosure in the target area census tracts. Employment in Hennepin County declined by over 22,500 jobs in January and February 2009; the job losses brought about an increase in the average monthly unemployment rate from 5.6% in the fourth quarter of 2008 to 7.1%. Minneapolis also has a high unemployment rate at 7.1% as of April 2009 and the rate for Brooklyn Park was 8.6%.

Jobless claims rose consistently from 2007 through April 2009 for the seven-county Twin Cities metro area. As shown in the table below, jobless claims nearly doubled in the first four months of 2009 as compared to all of 2008. The Consortium is concerned that this increasing unemployment trend is threatening to exacerbate the foreclosure problem. Additionally, unemployment, the fear of it and the reduction in income hamper buyer confidence.

| UNEMPLOYMENT INSURANCE CLAIMS<br>7-COUNTY METRO AND HENNEPIN COUNTY |                |       |                 |       |
|---|----------------|-------|-----------------|-------|
|   | 7-County Metro |       | Hennepin County |       |
|   | No.            | Chg.  | No.             | Chg.  |
| 2007  | 8,912          | ----- | 3,470           | ----- |
| 2008  | 9,126          | 2.4%  | 3,518           | 1.4%  |
| 2009  | 17,191         | 88.4% | 6,775           | 92.6% |

Source: MN Dept. of Employment & Economic Development

### Income Characteristics and Housing Cost Burden

The Hennepin County average per capita income is \$33,000 and median family income is \$74,000, according to 2005 data. Despite the economic successes of most Hennepin County residents, approximately 10.8% of the population – over 117,000 people – had income during 2005 at or below the poverty line. An even greater percentage of children, 14.9%, were in families with incomes at or below poverty. Approximately 24% of single female headed households with children under 18 years of age earned income at or below the poverty line.

The cost of housing is an issue for households in the Consortium's target areas. The available data on the cost of housing show that one in three Twin Cities metro area families pays more than 30% of their income for housing, as reported by the Wilder Foundation in 2008. That study found that 75% of all low-income households were cost-burdened compared to 33% of all households. It also showed that 10% of Twin Cities' homeowners were cost burdened in 2008, up from 5% in 2000. Another estimate, prepared by Maxfield Research for this application, shows that between six and seven percent of households in the Consortium's target areas are cost burdened as detailed in the table below.

| ESTIMATED % OF COST-BURDENED HOUSEHOLDS TARGET AREAS<br>RENTERS AND HOMEOWNERS<br>2008 |                 |         |         |          |
|--|-----------------|---------|---------|----------|
|  | % OF HOUSEHOLDS |         |         |          |
| Cost-Burdened  | 30% AMI         | 50% AMI | 80% AMI | 120% AMI |
| <b>Homeowners</b>  |                 |         |         |          |
| Target Areas-Mpls South  | 11%             | 4%      | 2%      | 0.1%     |
| Target Areas-Mpls. NE  | 10%             | 3%      | 1%      | 0.1%     |
| Target Areas-Mpls. North   | 14%             | 4%      | 1%      | 0%       |
| Target Areas-Suburban HC   | 5%              | 3%      | 4%      | 2%       |
| Target Areas-Brooklyn Park   | 5%              | 6%      | 6%      | 7%       |
| <i>Hennepin County</i>   | 7%              | 7%      | 7%      | 5%       |
| <i>Twin Cities Metro Area</i>  | 6%              | 7%      | 7%      | 6%       |



## Renters

|                            |     |     |    |      |
|----------------------------|-----|-----|----|------|
| Target Areas-Mpls South    | 35% | 12% | 6% | 1%   |
| Target Areas-Mpls. NE      | 28% | 11% | 6% | 1%   |
| Target Areas-Mpls. North   | 45% | 7%  | 1% | 1%   |
| Target Areas-Suburban HC   | 22% | 5%  | 1% | 0.2% |
| Target Areas-Brooklyn Park | 34% | 12% | 7% | 2%   |

|                               |     |     |     |    |
|-------------------------------|-----|-----|-----|----|
| <i>Hennepin County</i>        | 30% | 13% | 11% | 1% |
| <i>Twin Cities Metro Area</i> | 29% | 14% | 3%  | 1% |

*Twin Cities Metro Area Average Rent 2008 = \$906*

*Twin Cities Metro Sales Price 2006 = \$278,462*

Income limits based on a 4-PP household at maximum income limit.

Sources: HUD; American Community Survey; Maxfield Research Inc.

### Factors Contributing to Neighborhood Decline

In the Consortium's target areas, other significant factors contributing to neighborhood decline include racial disparities in mortgage lending and a high level of bank-owned properties. In the urban core (Minneapolis) and Brooklyn Park, an aging and under-maintained housing stock, decreasing school enrollment and poverty are also contributing to neighborhood instability.

**School Enrollment and Poverty**—decreasing school enrollment and poverty also are a significant factor in neighborhood decline in urban Minneapolis and the inner-ring suburban communities in Hennepin County. For examples, within the Minneapolis school district, total enrollment within the target area decreased from 22,307 in 2005 to 18,431 in 2008. Along with decreasing enrollment within the target area schools, there was an increase in the percentage of students who were enrolled in the free or reduced lunch programs from 79% in 2005 to 82% in 2008. As of 2008, 67% of welfare caseloads in Minneapolis as reported by Hennepin County, were residents of the target area census tracts. There has been a 6.2% increase in welfare recipients in the target area since 2006.

**Aging and under-maintained housing**—of housing units identified in the Minneapolis target area census tracts, 76.6% were built prior to 1960. In the Brooklyn Park target area, 31% were built prior to 1960. These homes provide affordable housing to many of the community's households as these homes have, in general, been priced at moderate levels. With a high rate of foreclosure in these neighborhoods, many of these homes are at risk of being abandoned and are likely to deteriorate further due to increased vacancy and deferred maintenance. Many one-unit owner-occupied structures are at risk of being converted to rental properties, in some cases poorly managed.

**Building and remodeling** permit activity is a sign of economic trends within a local housing market. From 2005 to 2008, the Minneapolis target area census tracts have experienced a 25% decrease in the number of building and remodeling permits. The number of residential properties within the Minneapolis target area that have undergone rehabilitation investments above \$5,000 has decreased by 18% in the last four years. The **average value of permits** for residential properties for target area census tracts in Minneapolis have decreased, with those in near north and south central neighborhoods experiencing 80% or greater decreases from 2005 to

2008. The target areas in Brooklyn Park have seen similar trends. Between 2005 and 2008 the target areas experienced a 22% decrease in the total number of building permits issued and a 35% decrease in the number of building permits issued that were equal to or greater than \$5,000.

**Racial Disparities**—the Minneapolis and Brooklyn Park target areas have high proportions of households of color and therefore, these neighborhoods are at greater risk for foreclosure due to discriminating loan practices. As reported by the Institute on Race and Poverty at the University of Minnesota Law School in a report released in February 2009, families of color—even if they have higher incomes—were more likely to receive subprime loans thereby increasing the amount that they pay for loans and increasing their risk of foreclosure. The maps below clearly show the connection between the percentage of mortgage loans acquired by people of color and the location of subprime mortgages. These locations also correlate with the areas in the county most affected by foreclosure and vacancy. These areas mirror the Consortium’s target areas (See Map 2).

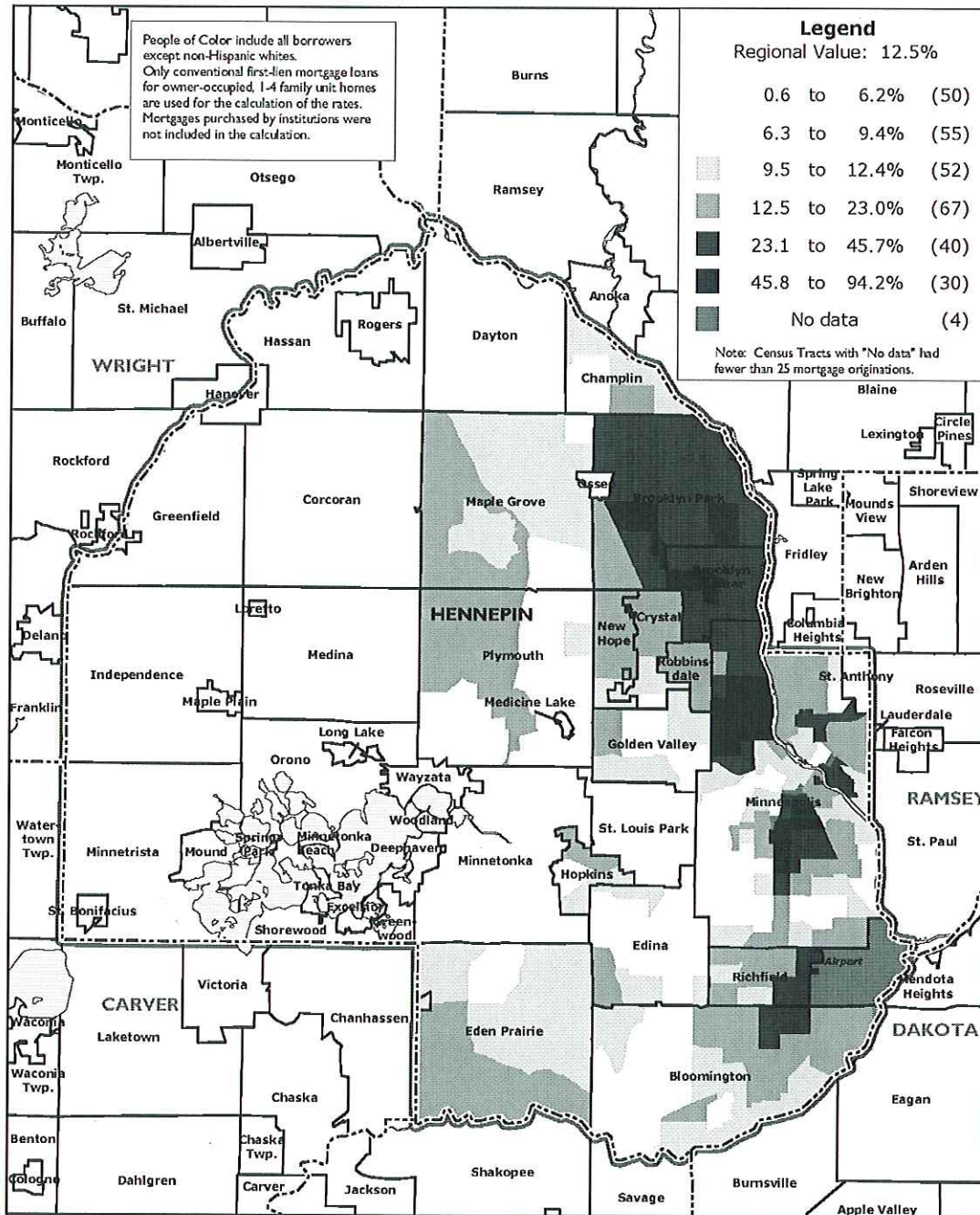
**Housing code violations** are a further sign of neighborhood decline and have increased as Minneapolis has 8,616 properties with housing violations as of May 31, 2009 with 6,604 (77%) of those properties within target area census tracts. During 2008, 19,745 housing violations were issued within the City of Minneapolis, with 13,600 (69%) of those properties within target area census tracts.

The census tracts in the Minneapolis target area have experienced an increase of 5% in the number of residential properties that are defined as having a structural condition that is significantly below average since 2005. These properties may be structurally sound but have a significant amount of deferred maintenance. There may not be significant foundation problems however, the siding, roofing, mechanical systems, etc. are old and show signs of significant wear and are probably at the end of their useful economic life. When accounting for the cost to rehabilitate some of these structures, it is not economically feasible considering that the cost of the home after rehabilitation would probably greatly exceed its market value.

Residential properties within the Minneapolis target area census tracts that have numerous problems in which the cost to cure these problems may outweigh the entire value of the home have increased 11% since 2005. The properties are still inhabitable, but bringing the house up to average condition would require major expenditures. The foundation may have large cracks or substantial settling or most of the building components are in need of repair or replacement such as rotted wood, holes in the plaster or sheetrock, carpets worn through to the backing; tiles are broken or missing in the kitchen or bath. Heating and plumbing systems may be unreliable.



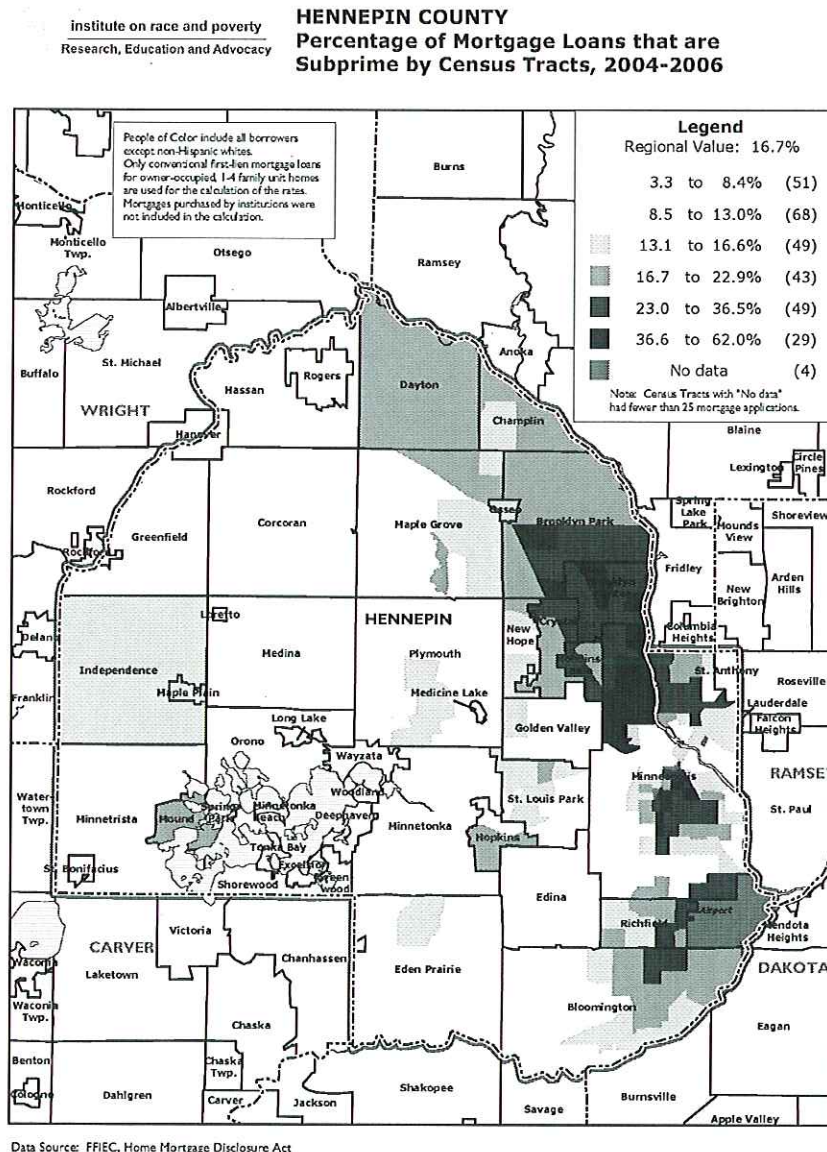
# **HENNEPIN COUNTY** **Percentage of Home Mortgage Loans Acquired** **by People of Color by Census Tracts, 2004-2006**



Data Source: FFIEC, Home Mortgage Disclosure Act

**Map 2: Percentage of Home Mortgage Loans Acquired by People of Color by Census Tracts 2004-2006**

**Bank-owned properties**—a high level of bank-owned properties significantly hinders economic recovery in the Minneapolis-St. Paul area. The Brookings Institute ranked the Minneapolis-St. Paul Metropolitan Statistical Area (MSA) 92<sup>nd</sup> out of the largest 100 metropolitan areas for bank-owned property per 1,000 mortgageable properties in March 2009. The Twin Cities, at 7.63 bank-owned properties per 1,000 mortgageable properties, ranked one spot behind the Sacramento CA MSA (7.45) and one spot ahead of the Detroit MI MSA (9.75). The average number of bank-owned properties per 1,000 mortgageable properties for the top 100 metro areas and the U.S. was 3.87 and 3.06 respectively.



**Map 3: Percentage of Mortgage Loans that are Subprime by Census Tracts 2004-06**



### **Neighborhood Stabilization Activities**

The data presented in this application demonstrate that the high number of vacancies and foreclosures across the Consortium's target areas, in combination with under-maintained housing, and concentrated subprime and fraudulent lending are creating significant neighborhood instability. The data points to a real need to bring homeowners back into these neighborhoods in rehabilitated housing that provides for sustainable long-term homeownership. For this reason, the Consortium will emphasize aggressive acquisition and rehabilitation in combination with homeownership incentives to quickly return stable long term residents to the target area neighborhoods.

The other key component of the Consortium's recovery effort is to gain control of vacant properties and then manage the disposition and redevelopment of these properties at a scale large enough to build confidence and stimulate reinvestment. The need for this activity is demonstrated by the large inventory of bank-owned and investor-owned property, mostly seen in the urban core and suburban census tracts. Properties will be acquired, demolished if necessary, and land banked for future development. With the help of the Twin Cities Community Land Bank, the Consortium will have an effective way to manage the disposition of properties over time to ensure long-term neighborhood stability.

## **FACTOR 2 - DEMONSTRATED CAPACITY (40 points)**

### **A. Past Experience of the Applicant (30 points)**

The City of Minneapolis, in partnership with the Consortium and the community development partners, has significant experience managing NSP activities of financing, acquisition and rehabilitation, land banking, and redevelopment, within the past 24 months (June 2007- July 2009) that exceeds the 75-unit capacity requirement.

The Consortium and Minneapolis is widely regarded as one of the nation's leaders in implementing neighborhood stabilization activities as evidenced by the success of the innovative Strategic Acquisition Fund, which began acquiring foreclosed properties for rehabilitation in June 2007 and the ground-breaking *First Look* Pilot Program, which commenced acquiring foreclosed properties pre-market and at a reduced price in November 2008. For example, under the *First Look* Program in Minneapolis, 552 properties have come through the National Community Stabilization Trust; 123 offers have been made; and 48 offers have been accepted. Foreclosed properties in targeted areas have been purchased and identified for rehabilitation by the non-profit development community in implementing NSP1.

NSP2 resources will maximize the strong collaborative efforts and demonstrated capacity of the Consortium and its community partners, achieving neighborhood stabilization program measurable outcomes and leading to recovery of healthy housing markets in the targeted areas. As the table below clearly demonstrates the consortium members from 2007 to 2009 have acquired, rehabilitated and land banked over 1,000 properties.



## Neighborhood Stabilization Program Activity Experience

| Entity                                   | Tasks, Skills and Resources   | Units<br>2007-2009 |
|--|---|--------------------|
| <b>A. Financing</b>                      |   |                    |
| City of Minneapolis                      | Implemented a foreclosure homeownership incentive forgivable loan program in target area neighborhoods; \$1.0M Minneapolis; \$1.5M Federal Home Loan Bank Funds.  | 130                |
| City of Brooklyn Park                    | Developed and implemented a home improvement loan program in partnership with the Center of Energy and Environment. \$800,000 in EDA funds available.   | 7                  |
| City of Brooklyn Park                    | Developed and implemented a down payment assistance program to help low-income homebuyers with homeownership. \$200,000 in CDBG funds available.  | 2                  |
| Hennepin County                          | Developed and implemented a first-time homebuyer loan program. Skills: income qualification, underwriting, contract preparation, and closing. Source \$400,000 in HOME funds.   | 29                 |
| <b>Total—Financing</b>                   |   | <b>168</b>         |
| <b>B. Acquisition and Rehabilitation</b> |   |                    |
| City of Minneapolis                      | Acquired 112 properties designated for rehab since June 2007. \$10 million Minnesota Housing Finance Agency Funds; \$1 million City of Minneapolis Funds.   | 36                 |
| City of Minneapolis                      | Partnered with developers to rehab 398 units of multifamily rental housing using \$3,810,000 in City of Minneapolis resources combined with resources from Hennepin County, Metropolitan Council, DEED and MN Housing.  | 398                |
| City of Brooklyn Park                    | Partnered with developers to purchase and rehab foreclosed and vacant homes. Skills include contract development, contract management, and program administration. Funding source \$600,000 Minnesota Housing and NSP1 funds.   | 5                  |
| Hennepin County                          | Assisted in the rehabilitation of 44 single family homes. Skills include income qualification, underwriting, project scoping, contract development and management, inspection, close-out and administration. Funding source \$1,300,000 in CDBG funds.                          | 44                 |
| Hennepin County                          | Assisted in the acquisition and rehabilitation of 13 multi-family housing projects. Skills include underwriting, contract development and management, inspection, close-out and administration. Funding source \$2,883,380 in Hennepin County funds; \$1,000,000 in HOME funds. | 11                 |
| Hennepin County                          | Rehabilitated 5 single family homes and 2 duplexes through its STS Homes Division. Tasks include project bidding, construction, close-out and administration.   | 5                  |
| <b>Total—Acquisition &amp; Rehab</b>     |   | <b>499</b>         |
| <b>C. Land Bank</b>                      |   |                    |
| City of Minneapolis                      | Acquired properties to be held until the market recovers. \$10 million Minnesota Housing Finance Agency Funds; \$1 million City of Minneapolis Funds  | 66                 |
| City of Minneapolis                      | Properties acquired by the City of Minneapolis for blight removal and sale for future housing development. \$500,000 in CDBG funds.   | 144                |
| City of Brooklyn Park                    | Acquire homes for demolition and land banking until housing can be redeveloped on the site. Skills include acquisition, demolition, environmental review, and maintenance. Funding source CDBG and NSP1.  | 2                  |
| <b>Total—Land Bank</b>                   |   | <b>212</b>         |
| <b>E. Redevelopment</b>                  |   |                    |
| City of Minneapolis                      | Ownership housing developed has generated additional market rate and affordable housing units adding market value of approximately \$5 million to the Minneapolis tax base.   | 25                 |
| City of Minneapolis                      | Partnered with developers to develop 861 units of multifamily rental housing using \$22,353,000 in City of Minneapolis resources combined with resources from Hennepin County, Metropolitan Council, DEED and MN Housing.   | 861                |
| City of Brooklyn Park                    | Partnered with Habitat for Humanity to construct homes on redevelopment sites. Skills include contract development and management and program   | 3                  |



|                            |   |              |
|----------------------------|---|--------------|
|                            | administration. \$400,000 Minnesota Housing.  |              |
| Hennepin County            | Assisted in the redevelopment of 7 multi-family housing projects. Skills include underwriting, contract development and management, inspection, close-out and administration. Funding source \$780,000 in Hennepin County funds; \$1,515,000 in HOME funds. | 127          |
| Hennepin County            | Constructed 2 new single family homes with Habitat for Humanity through its STS Homes Division. Tasks include project bidding, construction, close-out and administration.  | 2            |
| <b>Total—Redevelopment</b> |   | <b>1,018</b> |
| <b>Grand Total</b>         |   | <b>1,897</b> |

While acquisition and disposition of foreclosed properties and the rehabilitation of housing are the most likely to achieve neighborhood stabilization in the target area neighborhoods, it is also necessary for all communities and community partners to work together across jurisdictions in carrying out all activities quickly to achieve the greatest impact in stabilizing target area neighborhoods.

### **City and Regional Planning**

Planning and strategic implementation are critical to achieve neighborhood stabilization. The Consortium works in partnership with community organizations, housing developers, funders, lenders and government partners to implement aggressive foreclosure recovery plans to restore healthy housing markets in targeted areas. Collaborative planning with all community partners assists Consortium members in identifying specific neighborhoods and properties within targeted areas for strategic acquisition; raising leverage funding and allocating NSP resources to neighborhood stabilization activities to achieve successful outcomes; and in monitoring foreclosure prevention, housing reinvestment and market repositioning performance to target resources to appropriate activities in areas of greatest need.

The Consortium members are lead agencies responsible for formulating plans and strategies for housing and community development objectives, including preparation and submission of Consolidated Plans, Community Development Block Grant Programs, HOME Investment Partnership Program, Emergency Shelter Grant Programs, Lead Hazard Control programs, Weatherization, Energy Efficiency and Employment Programs and several state and local housing, community development, and transit oriented development programs. The Consortium members set priorities around single family and multifamily development, economic development, and community housing, transportation and commercial corridors.

Other regional planning efforts include:

- Minnesota Foreclosure Partners Council
- Regional Foreclosure Prevention Efforts through the Home Ownership Center
- Ending Homelessness
- Disposition of Tax Forfeited Properties

### **Acquisition and Disposition**

The Consortium has experience with 212 property acquisitions in the past 24 months through land banking programs. Large scale acquisition is key to moving vacant and foreclosed properties in target areas to developers with long term community interests in mind for redevelopment and sale for homeownership or for responsible management of rental properties.



Aggressive property acquisition when the market is low and properties are inexpensive, coupled with strategies to compete with investors in order to prevent the turn-over of single family homes to rental and to improve the quality of the housing stock are key components of the Consortium's strategy.

### **Rehabilitation of Housing**

The Consortium has demonstrated experience with 499 property acquisitions in the past 24 months through purchase and rehabilitation programs. Minneapolis, through its partner the Greater Metropolitan Housing Corporation acquired 112 and has rehabilitated and sold 36 properties. Additionally, the City of Minneapolis has contracted with other developers through its Affordable Ownership Housing Program, providing them development gap financing.

Another example of rehabilitation experience is Brooklyn Park's partnership with Robert Engstrom Companies, LLC, a for-profit company, using funds from the State of Minnesota. Key project elements include: (1) Developed a Master Agreement providing a framework for the program and including program documentation such as mortgages, loan requisitions, restrictive covenants, and repayment agreements. (2) Developed an acquisition and rehabilitation strategy to utilize the funds in the areas of greatest need, targeting areas with the most challenged housing stock and greatest number of vacant units. (3) Implemented rehabilitation, with rehabilitation complete on five units as of July 2009 and four additional units in various stages of the process.

### **Redevelopment of Vacant Property**

The Consortium has demonstrated experience with the redevelopment of 1,018 homes in the past 24 months. Redevelopment of vacant property for new infill housing construction is a longer range strategy when the market is poised for recovery to drive the market in targeted areas back towards a healthy housing market. The tasks undertaken for this activity includes bidding, reviewing plans, selection of contractor/developer, obtaining neighborhood support, construction management overview, approval of change orders and performing final inspection. There are instances where the parcel is a pass-through from one governmental agency to a developer. In other instance, the property has to be purchased, demolished and then sold to an already identified developer for the construction of an affordable housing unit. In the case of rental projects, skills include underwriting, contract development and management, inspection, close-out and administration.

### **Program Marketing and Management of Waiting Lists for Potential Residents**

Program marketing and waitlist management is an area in which the Consortium has extensive experience. These efforts include the managing of marketing of homeownership incentive and financial assistance programs, rehabilitation programs, single family homes for purchase, and multifamily housing rental programs. Marketing activities are carried out by Consortium members and community partners and are achieved through the use of websites, brochures, articles and community outreach.



The Consortium regularly markets housing related programs through the following channels:

- Local media (Star Tribune, Finance and Commerce, Sun Post, Northwest Community TV)
- City media (newsletter, website, brochures, cable TV show, water utility bill inserts)
- Community groups (formal committees and commissions, volunteer networks, formal and informal community and cultural groups)
- Local partners (non-profits, state, county, banks, realtors, etc.)

### **Accessing Operating and Investment Capital**

The Consortium will have immediate access to \$27.45 million in investment capital through the Twin Cities Community Land Bank, thus the Consortium will have significant leisure with which to purchase and compete successfully against investors for foreclosed properties for rehabilitation and disposition. Additionally, the Consortium utilizes tax-exempt bonds, tax increment financing, and other development tools to invest in the community and has a deep history of attracting funds to help meet community priorities.

### **Working Productively with Other Organizations**

The Consortium members are founding members of the Minnesota Foreclosure Partners Council (the private and philanthropic Partners), convened in January 2007 to facilitate a rapid, coordinated response to the mortgage foreclosure crisis affecting the metropolitan area and outstate Minnesota. The goal of the Partners, in collaboration with many other key private, non-profit, and public partners, is to identify, fund, and implement coordinated policies and programs that effectively address the impact of the recent surge in mortgage foreclosures on families and communities. The work of the Council is focused in six areas:

- Data Collection
- Homeowner and Tenant Counseling
- Targeted Outreach
- Product Development
- Neighborhood and Community Recovery
- Legal and Legislative Solutions

It confronts the practice and consequences of predatory lending by taking specific, innovative, and collaborative actions, including changes in policies and practices and the provision of resources. The efforts of the Partners are undertaken both individually as well as in concert with other Partners and the broader prevention and development communities. The Partners is a national model and in 2008, it was recognized with a “Partners in Affordable Housing: Outstanding Collaboration Award”. The Partners’ efforts are described in *The Coordinated Plan to Address Foreclosures in Minnesota* (<http://www.mnforeclosurerecovery.org>).

Other key partnerships include: National Community Stabilization Trust, Family Housing Fund, Local Initiatives Support Corporation, Minnesota Housing Finance Agency, Metropolitan Consortium of Community Developers, Minnesota Home Ownership Center, Neighborhood Housing Services, Northway Community Trust, Tree Trust, Center for Energy and Environment, Fannie Mae, Wells Fargo, Pohlad Family Foundation, General Mills Foundation, Franklin National Bank, Home Depot Foundation, Minneapolis Association of Realtors, and Neighborhood Associations.

**B. Management Structure (10 pts)**

Each Consortium member will operate the program through the development arm of the City or County government. The description of the management structure, staff roles, names and positions for Minneapolis, Brooklyn Park, and Hennepin County by activity are as follows:

The City of Minneapolis

Department of Community Planning and Economic Development, Housing Policy and Development Director Thomas Streitz will direct NSP2 activities and Cherie Shoquist, Foreclosure Project Coordinator, will coordinate the day to day management of activities carried out by management and staff. The following describes other key staff and their roles for NSP2:

Mark Anderson, Senior Contract Management Specialist monitors all of the City of Minneapolis loan programs. Mr. Anderson will be responsible for the financing activities under both the NSP 1 and NSP 2 program.

Elfric Porte, Manager of Single Family Housing and Wesley Butler, Manager of Multifamily Housing will be responsible for the monitoring of the implementation of all acquisition, rehabilitation and land bank activities for purchase rehabilitation, redevelopment and land banking.

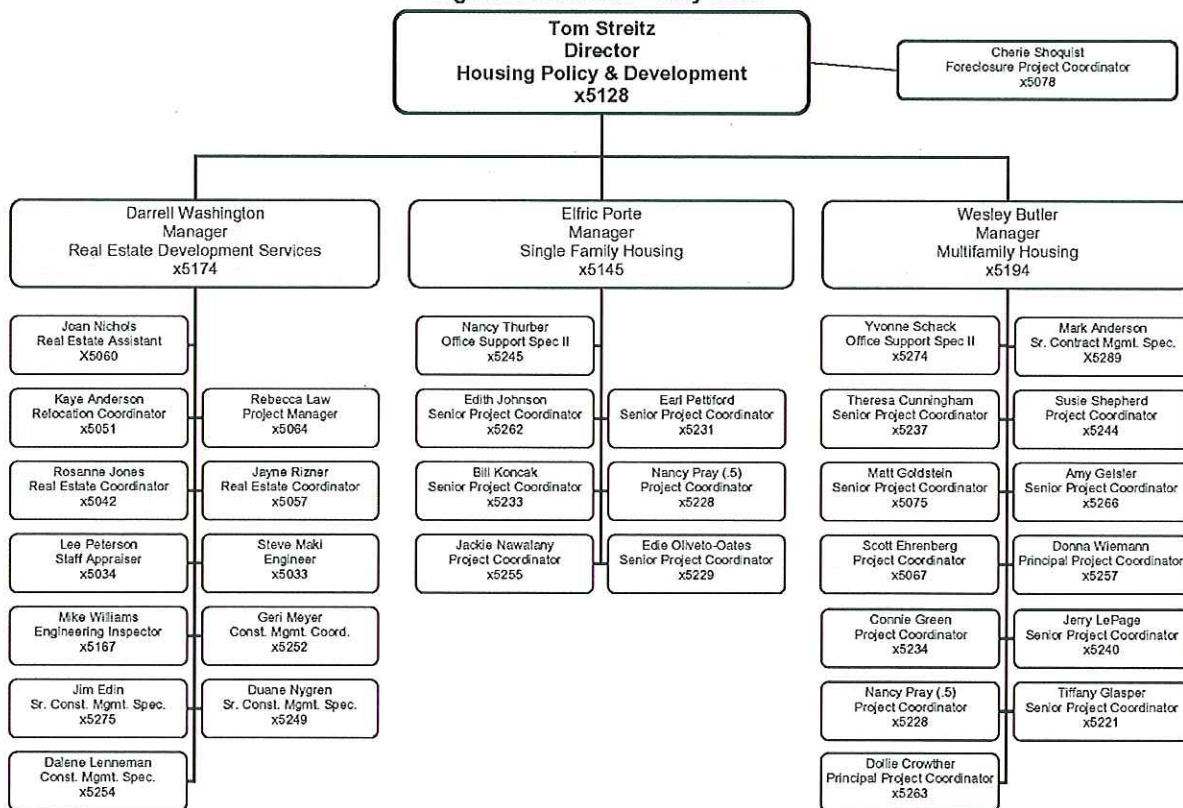
Darrell Washington, Manager of Real Estate Development Services will be responsible for monitoring and tracking the inventory of properties purchased by the City of Minneapolis through both NSP1 and NSP2.

Edie Oliveto-Oates, Senior Project Coordinator will be responsible for implementation of the contract with the selected development partners.

Matt Bower, Department of Intergovernmental Relations will be responsible for the administration of the program.



**City of Minneapolis Housing Policy and Development Org Chart  
Organization Chart – July 2009**



### The City of Brooklyn Park

Community Development Department will administer the NSP2 funds in Brooklyn Park. The management structure includes a department director, three division directors (economic development, planning, and code enforcement), and several project managers, project facilitators, and other supportive staff for a total of 22 staff people in the department. The following describes the key staff and their roles for NSP2:

**Robert Schreier** – Director of Community Development. Mr. Schreier has ultimate responsibility for the operations of all the various programs managed by the department, including NSP.

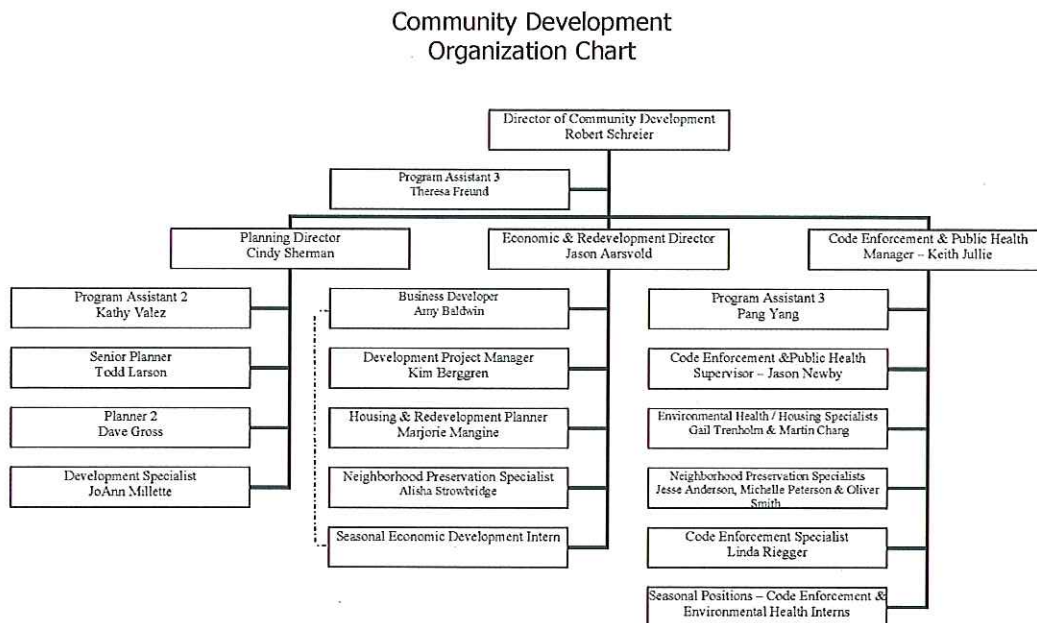
**Jason Aarsvold** – Economic and Redevelopment Director. Mr. Aarsvold will serve as Project Director and will oversee the NSP2 program, similar to his capacity under NSP1. The other key staff working on NSP2 report to Mr. Aarsvold.

**Kim Berggren** – Development Project Manager. Ms. Berggren serves as the Project Manager for NSP1 and will manage the City's day-to-day NSP2 operations. Responsibilities will include managing contracts and coordinating with developers and other agencies related to the expenditure of NSP2 funds and coordinating the work being done by other city staff that are supporting the NSP2 program.

**Alisha Strowbridge** – Neighborhood Preservation Specialist; **Marjorie Mangine** – Housing and Redevelopment Planner; and **John Greenwood** – Economic Development Intern

The Economic and Redevelopment Division staff listed above will be responsible for completing the activities and managing the documentation of the NSP2 program. During this process, they will coordinate with staff, developers (buyers), title companies, buyer's lenders, real estate agents, sellers (banks) and all other involved parties to ensure complete documentation of the activities to be complete under NSP2.

Support will also be provided by staff from the planning and code enforcement divisions of the community development department, on an as needed basis. In addition, other city departments, including the divisions of building, operations & maintenance, communications, finance, and assessing, will provide support where needed. The City will also receive assistance from Hennepin County staff when obtaining appraisals and environmental reviews.



5/29/2009

### Hennepin County

HCWT's management structure includes a director, four senior managers, program specialists in the areas of leasing and land management, engineering and transit planning, community development, and housing development and finance, and a number of program specialists and support staff for a total of 57 full-time employees. The following describes the key staff and their roles for NSP2:

Philip Eckhert – Director, Department of Housing, Community Works and Transit. Mr. Eckhert will serve as Project Director for NSP2 similar to his capacity under NSP1. As HCWT Director, Mr. Eckhert has ultimate responsibility for the operations of all the various programs managed by HCWT, including the Neighborhood Stabilization Program.



Kevin Dockry, Manager of Housing Development and Finance. In addition to managing the CDBG, HOME, and Lead Hazard Control programs, Mr. Dockry serves as the Project Manager for NSP1 and will manage the County's day-to-day NSP2 operations.

Tonja West Hafner, Principal Planning Analyst and Alyce Osborn, Senior Planning Analyst: Serve as the "gatekeeper" of properties acquired under NSP. All properties are first matched with County mapping and records to ensure eligibility. Will review properties to ensure applicability and then assign to the various staff to complete preparation of offers. During this process and when preparation is complete, will coordinate with staff, developers (buyers), title companies, buyer's lenders, real estate agents, sellers (banks) and all other involved parties to ensure complete documentation of the process and smooth transitions occur for the initial acquisition of the property. Reports to the Manager of Housing Development and Finance.

Jim Graham, Principal Planning Analyst and Mark Hendrickson, Principal Planning Analyst: Develop procedures and policies for NSP implementation. Underwrite development proposals and manage NSP redevelopment contracts. Review development budgets, pay requests, progress reports and ultimate sale or rental to eligible occupants. Reports to the Manager of Housing Development and Finance.

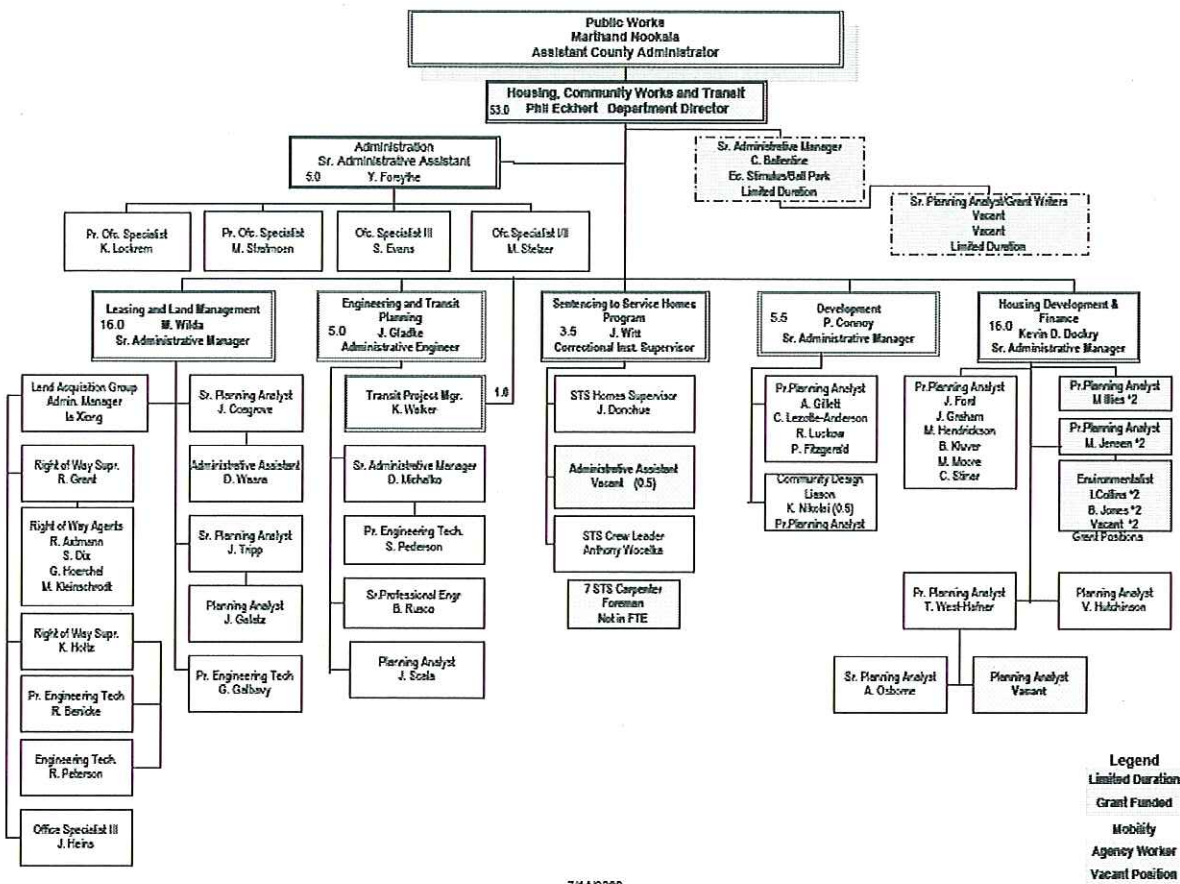
Jim Ford, Principal Planning Analyst: Coordinate environmental review for all NSP properties. Manage third party agreements for appraisal and historic review. Reports to the Manager of Housing Development and Finance.

Brian Kluver, Principal Planning Analyst and Matt Moore, Principal Planning Analyst: Field visit foreclosed and vacant properties that are suitable for the County's NSP program. Inspect potential NSP properties for soundness of construction, needed repairs, and environmental hazards. Reports to the Manager of Housing Development and Finance.

Mike Jensen, Principal Planning Analyst and Melisa Illies, Principal Planning Analyst: Coordinate lead remediation work on NSP properties. Reports to the Manager of Housing Development and Finance.

Valerie Hutchinson, Planning Analyst: Data entry and data base management, including all corresponding information such as 106 reviews, appraisal data, etc. Reports to the Manager of Housing Development and Finance.

Charles Warrington, Senior Accountant: Prepare and request draw downs and approve all pay requests. Reports to the Manager of Housing Development and Finance.



7/14/2009

## References

### Dan Bartholomay

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### Thomas P. Fulton

President  
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"I believe Minneapolis is a model for communities across the country," Donovan said.

**Rebuilding homes and hope,** A Minneapolis tour shows the HUD chief how federal funds are working to repair the damage from the foreclosure crisis, StarTribune, July 11, 2009. (See APPENDIX 3).



### FACTOR 3 - SOUNDNESS OF APPROACH (45 points)

#### A. Proposed Activities (15 points)

##### Description of Neighborhood Stabilization Program

With NSP2 resources, the Consortium will impact an additional 875-1075 properties in targeted areas. NSP2 resources will provide financing to increase sales of 385 residential properties in targeted neighborhoods. The acquisition for rehabilitation, land banking or redevelopment activities will eliminate at least 690 vacant and abandoned or foreclosed residential properties in targeted neighborhoods. With additional leveraged resources, NSP2 funds will enable the Consortium to impact about 30% of existing foreclosed properties and has the potential to arrest the decline in home values based on average sales price, reduce vacant and abandoned residential property in targeted neighborhoods, increase sales of residential property in targeted neighborhoods, and increase the median market values of real estate in targeted neighborhoods.

##### Foreclosure Recovery Plan Sources & Uses

| NSP 2 Eligible Use   | Hennepin County    |            | Brooklyn Park      |            | Minneapolis         |            | Total               |             |
|--|--------------------|------------|--------------------|------------|---------------------|------------|---------------------|-------------|
|  | Funds              | Units      | Funds              | Units      | Funds               | Units      | Funds               | Units       |
| A. Establish <b>financing</b> mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties                            | \$1,350,000        | 135        | \$500,000          | 50         | \$2,000,000         | 200        | \$3,850,000         | 385         |
| B. <b>Purchase and rehabilitate</b> homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop | \$1,200,000        | 20         | \$4,200,000        | 70         | \$16,500,000        | 275        | \$21,900,000        | 365         |
| C. Establish and operate <b>land banks</b> for homes and residential properties that have been foreclosed upon <sup>1</sup>                            | \$ 800,000         | 5          | \$ 450,000         | 3          | \$15,600,000        | 300        | \$16,850,000        | 308         |
| D. <b>Demolish</b> blighted structures   | \$ -               | 0          | \$ -               | 0          | \$ -                | 0          | \$ -                | 0           |
| E. <b>Redevelop</b> demolished or vacant properties as housing   | \$ 500,000         | 5          | \$ 200,000         | 2          | \$ 500,000          | 10         | \$ 1,200,000        | 17          |
| Subtotal   | \$3,850,000        | 165        | \$5,350,000        | 125        | \$34,600,000        | 785        | \$43,800,000        | 1075        |
| Administration <sup>2</sup>  | \$ 327,250         |            | \$ 454,750         |            | \$3,598,000         |            | \$ 4,380,000        |             |
| <b>TOTAL<sup>3</sup></b>   | <b>\$4,177,250</b> | <b>165</b> | <b>\$5,804,750</b> | <b>125</b> | <b>\$38,198,000</b> | <b>785</b> | <b>\$48,180,000</b> | <b>1075</b> |
| <b>25% Requirement<sup>4</sup></b>   | <b>\$1,044,313</b> |            | <b>\$1,451,188</b> |            | <b>\$ 9,549,500</b> |            | <b>\$12,045,000</b> |             |

## Footnotes

<sup>1</sup>A portion of these funds will be used to support the Twin Cities Community Land Bank, subject to each jurisdiction's board approval.

<sup>2</sup>NSP2 limits administration to 10% of total award. Hennepin County and Brooklyn Park will receive 8.5% of their total award for administration. Minneapolis will receive the remainder for administration as the lead entity.

<sup>3</sup>There may be duplication in the total unit count (i.e. a household could use the down payment program under Activity A to purchase a property rehabbed in Activity B).

<sup>4</sup>NSP2 requires that 25% of the funds received must be targeted to households at or below 50% of area median income.

## Assumptions

A. Financing: \$10,000 average per homebuyer for down payment and closing cost assistance.

B. Purchase and Rehabilitate: \$60,000 average per unit for value gap, and in Brooklyn Park for value gap and homebuyer assistance.

C. Land Bank: \$100,000 for Hennepin County and Brooklyn Park and \$50,000 for Minneapolis average per property for acquisition, demolition and holding costs.

D. Demolition: No NSP2 funds are allocated for demolition. In Minneapolis, NSP1 Funds will be recycled for regulatory services demolition.

E. Redevelop: \$100,000 for Hennepin County and Brooklyn Park and \$50,000 for Minneapolis average per property to develop new construction units for low income households.

The NSP2 allocations proposed for these activities are from the Consortium's \$48 million application. To cater to the needs of the target area, where the market differs slightly, this plan has been designed with that in mind. In Minneapolis, the issue is two-fold—getting the blighted foreclosed properties back into circulation (rental and ownership) and removing, through demolition, the blighted structures that have outlived their economic life. The focus in the suburbs is slightly different. Considering the housing stock is not as old and the majority of the foreclosed structures are single-family dwellings, the focus is to maintain, if not secure, the ownership mix, by ensuring that these properties do not end up in the hands of investors for the sole purpose of creating rental income. The intended outcomes are the same in the target area—reduce the number of vacant and blighted units by increasing sales of foreclosed properties and increasing values of the properties.

As was highlighted earlier, the Consortium plans to use two novel concepts in the implementation efforts—*The First Look* and the *Twin Cities Community Land Bank*. The *First Look* launched in 2008 and piloted in the Twin Cities as a testament to the coordinated approach to combating the foreclosure crisis that exists in the Twin Cities. The *Twin Cities Community Land Bank* is a public-private venture with a focus on community re-building objectives. As a non-governmental entity, it is designed to be quicker to respond and more flexible than a government entity, thereby being positioned to compete with undesirable investors whose bottom line is profit to self and not necessarily the community.

It is important to note that housing market conditions in the Consortium's target area are rapidly changing and this change might affect one or more of the proposed strategic activities. Therefore, the Consortium will consider allocation changes to, within and among the NSP2 eligible



activities as non-substantial changes. Any NSP allocation changes will be handled through routine staff review.

### **Activity A—Financing**

NSP2 funds will be used to establish financing mechanisms for the purchase and redevelopment of foreclosed upon homes and residential properties. The Consortium proposes to use \$3,850,000 of NSP2 funds to assist approximately 385 homebuyers in down payment and closing cost assistance.

#### **Program Guidelines:**

- Eligible homebuyers with incomes at or below 120% AMI purchasing a foreclosed upon home who can qualify for a traditional fixed-rate first mortgage loan (or an alternative financing program acceptable to the Consortium) will be eligible to receive a \$10,000 forgivable loan. Additional funds may be available to ensure affordability for households below 80% of AMI.
- The loan will be forgiven at the end of the required affordability period, which will be based on the HOME standards.
- The loan will be at a 0% deferred rate; due and payable if the property is no longer owner-occupied, sold, or transferred before the end of the loan term.
- The loan may go toward down payment and closing costs assistance, and any renovation costs.
- The homebuyers must receive eight hours of pre-purchase home ownership counseling through a HUD-approved housing counseling agency as verified by a completion certificate.

The Cities or County will ensure that properties assisted under this activity will be foreclosed upon as described in § 2301 (c), (3), (A) of the HERA Act in performing its due diligence. NSP funds will be a direct subsidy to the buyer. The City or County will use a promissory note and mortgage to impose recapture requirements on the homebuyer. Should the household not meet the five year residency requirement, they will be expected to pay the entire amount of assistance, not to exceed net proceeds, at the sale of the unit.

### **Activity B—Purchase and Rehabilitation**

NSP2 funds will be used to purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell for owner-occupancy or rent. The Consortium proposes to utilize \$21,900,000 in NSP2 funds to provide funding for approximately 365 units at an average cost of \$60,000 per unit in development gap assistance to developers acquiring and rehabilitating single-family or multi-unit housing.

#### **Program Guidelines:**

- Proposed developers can be non-profit or for-profit developer.
- The single family units will be directed toward ownership housing and the multi-unit projects will have a rental focus.
- All rental properties will be made available to households below 50% AMI.
- If rental, the NSP funds will be used solely for capital activities and not as rental or operating subsidies.



- An RFP will be used to solicit proposals from developers/contractors in Minneapolis, Brooklyn Park and Hennepin County. When possible, the RFP will give priority ranking to ownership and rental projects that house families at or below 50% AMI.
- The selected developers will be obligated to rent or sell the properties to households whose income is at or below 120% of AMI.
- The developer/contractor will be required to purchase properties that will be in compliance with the discount requirements of the NSP regulations, based on market appraised value.
- In some cases, the assistance will also be used to support the new buyer, up to \$30,000 as a 0% deferred loan.
- The term will mirror the required affordability period.
- Homebuyers must attend at least 8 hours of HUD-certified homebuyer counseling as verified through a completion certificate.
- To comply with the NSP requirements, the property must have been foreclosed upon or abandoned.
- If construction financing is needed for acquisition or rehabilitation, the funds will be structured as a revolving loan to the developer with a term of one year that is deferred with zero percent or low interest. The loan will be replenished by the proceeds received at the sale of the property to the homebuyer. The proceeds would not include any funds needed to pay for a development gap, if any, or to provide direct assistance to the homebuyer will be left in the property. The loan will continued to be reused for additional properties until the end of the term or until the funds are depleted.

### **Activity C—Land Bank**

NSP2 funds will be used for acquisition, land banking, rehabilitation, and redevelopment of properties in neighborhoods damaged the most by the foreclosure crisis. The Consortium is using highly innovative tools to respond to this crisis quickly and effectively. As one tool, the Consortium has established a community land bank that operates across the seven-county metropolitan area of the Twin Cities, covering seven counties and numerous cities, including Minneapolis, Brooklyn Park and Hennepin County.

The Twin Cities Community Land Bank is designed to operate on a large scale, over a broad geographic area, with a long view toward development and re-building communities, and as a public-private partnership coordinating across multiple communities of interest. It coordinates housing policies and programs with broader community development objectives, including jobs, economic opportunities, transportation, public safety, schools, human services, green design, and homeownership counseling and support. As a non-profit limited liability company, it is designed to be highly flexible and responsive and to leverage public and private dollars to accomplish the goals of neighborhood stabilization and recovery.

Twin Cities Community Land Bank's funds will be used for acquisition, holding costs for properties that are banked for varying terms based on market absorption, and rehabilitation or redevelopment. Twin Cities Community Land Bank will be an interim acquisition lender for the Consortium, advancing funds to allow The Consortium to respond quickly and strategically to acquisition and redevelopment opportunities, and a lender to non-profit developers undertaking rehabilitation and new construction. Twin Cities Community Land Bank intends to employ a



state-of-the-art asset management and reporting system developed by Mercy Housing, or a similar system. Finally, the *Twin Cities Community Land Bank* will provide additional community services to address barriers to community revitalization, such as developing creative homeownership financial products and coordinated neighborhood marketing.

A second innovative tool used by The Consortium is the National Community Stabilization Trust's REO acquisition program, also known as *First Look* and *Targeted Bulk Purchase*. The NCST program was launched in the Twin Cities metropolitan area, attesting to the Twin Cities' highly regarded, coordinated, and effective community approach to the foreclosure crisis. The *First Look* program provides an efficient and cost effective mechanism for transferring vacant and foreclosed properties directly from banks and servicers to The Consortium or other approved buyers at an adjusted and highly favorable price and before properties go on the market. The *Targeted Bulk Purchase* program provides an opportunity to purchase clustered properties, thus magnifying the opportunity to radically improve a neighborhood. Two non-profit organizations have been managing this program in the Twin Cities; Twin Cities Community Land Bank will assume the Twin Cities metropolitan-wide role as manager of the NCST program on August 1, 2009.

The Consortium proposes to use \$16,850,000 of NSP2 funds to acquire, demolish and manage (holding costs) approximately 308 properties at an average per property cost of \$100,000 for Hennepin County and Brooklyn Park and an average of \$50,000 per unit for Minneapolis. A portion of the funds will be used to support the operation of the Twin Cities Community Land Bank.

There will be coordination with the National Community Stabilization Trust as described in Activity B. This coordination is expected to assist in satisfying the NSP requirement of getting these properties at a minimum 1% discount from the current market appraised value. The Consortium will keep a central log of all NSP-assisted acquisitions to monitor achievement of the overall portfolio 1% discount.

#### Program Guidelines:

- The Consortium will only purchase foreclosed properties that are:
  - are vacant and blighted to a degree justifying demolition;
  - are located in the defined NSP2 area; and
  - are available for purchase at least 1% below the current market appraised value.
- It is the Consortium's expectation to hold these vacant parcels (land bank) for an unspecified time period, not to exceed 10 years, until the market is ready to absorb new development of owner-occupied housing units.
- The County and Cities ultimately will redevelop or facilitate redevelopment of these properties for NSP and CDBG eligible uses that meet the LMMH national objective. These objectives will be accomplished through a combination of the Purchase Rehabilitation and Redevelopment activities. Disposition of properties purchased with NSP funding:
  - will be offered to both non-profit and for-profit entities;
  - for uses that benefit households with incomes at or below 120% AMI;
  - will, at a minimum, follow all NSP periods of affordability; and



- if sold for redevelopment of housing occupied by households with incomes at or below 50% AMI within the four-year NSP period, any write-down of NSP funds used for acquisition would be credited to the County and Cities 25% requirement.

#### **Activity D—Demolition**

The Consortium requests no funds under Activity D.

#### **Activity E—Redevelop**

NSP2 funds will be used to redevelop demolished or vacant properties as housing. The Consortium proposes to use \$1,200,000 of NSP2 funds to acquire and redevelop 17 new construction units, at an average per property cost of \$100,000 for Hennepin County and Brooklyn Park and \$50,000 for Minneapolis, for low-income households.

As the market improves, the Consortium will seek development of single family, owner-occupied housing. However, where density is desirable, the Consortium will support development of multi-unit housing. Development of properties assisted through this activity will be targeted for the creation of affordable housing units for families at or below 50% AMI. This strategy serves a dual function—assist Consortium meet the 25% requirement and assist households at 50% AMI get into home ownership.

#### **Administration—General Administration of the NSP Program**

The Consortium proposes to use NSP funds for administration: \$4,380,000; \$327,000 for Hennepin County; \$454,750 for Brooklyn Park, and \$3,598,000 for Minneapolis. As lead the Consortium, the City of Minneapolis will require 1.5% of Hennepin County and the City of Brooklyn Park administrative funds. Pre-award costs are being incurred and will be claimed within regulatory limits issued by the applicable federal financial circulars and regulations. Administrative activities include program design, planning, financial processing and monitoring, program monitoring and reporting, environmental reviews, and citizen participation functions.

The Consortium will use the NSP2 funds to expand its existing foreclosure response efforts. Currently, approximately \$16 million in non-federal assistance have been committed in the target area to assist with neighborhood stabilization as shown in the table below.

| Sources   | Amount              | Uses  |
|---|---------------------|---|
| Pohlad Family Foundation                          | \$1,000,000         | Homebuyer Assistance                        |
| Pohlad Family Foundation                          | \$625,000           | Energy Efficient Upgrades to Rental Units   |
| Hennepin County Affordable Housing Incentive Fund | \$750,000           | Affordability and Development gap financing |
| Minneapolis Vacant & Boarded Program              | \$1,200,000         | Land Banking Activities                     |
| Minneapolis Affordable Ownership Housing Program  | \$1,500,000         | Purchase/Rehab (0% Loan) Program            |
| MN Housing CASA                                   | \$5,000,000         | Homebuyer Assistance                        |
| MN Housing Pilot Program                          | \$600,000           | Purchase/Rehab Program                      |
| Brooklyn Park EDA Funds                           | \$800,000           | Purchase/Rehab Program                      |
| Minneapolis Neighborhood Revitalization Programs  | \$3,000,000         | Homebuyer Assistance                        |
| Federal Home Loan Bank                            | \$1,500,000         | Homebuyer Assistance                        |
| <b>Total</b>                                      | <b>\$15,975,000</b> |   |



## Demolition and Preservation

The Consortium is proposing both preservation and demolition of residential properties in the target areas. The housing stock in the Minneapolis target areas is some of the oldest housing in Hennepin County. These areas will not stabilize without demolition of structures that have suffered years of deferred maintenance and structural damage. Though the Consortium would prefer to avoid the demolition of structures as much as possible, in the census tracts hardest hit with foreclosure and abandonment this is not possible. Therefore, a large number of foreclosed and vacant housing structures in the Minneapolis target areas needs to be removed and land banked. The Consortium will exceed the 10% limit on demolition. As a result, we formerly request that a waiver (see APPENDIX 2) be granted to allow for the demolition of properties that are beyond their useful economic life and where demolition is the only feasible alternative.

### B. Project Completion Schedule (5 points)

As illustrated in the table below the Consortium plans to have 50% of the funds allocated for each activity within 24 months and the total allocated within 36 months. In some cases, the anticipated time table to allocate these funds is significantly shorter; such as Activity A—Financing, with 50% of the funds being spent within the first year from notification of the award. Based on the significant need that exists it is the intent of the Consortium partners to aggressively implement this program. Activities will be continued to be financed through NSP expenditures and program income through 2013.

### Project Completion Schedule

| Activities   | Date   | Consortium | Units                       |                        |                       |     | Total | Amount      |
|--|--------|------------|-----------------------------|------------------------|-----------------------|-----|-------|-------------|
|  |        |            | City of<br>Brooklyn<br>Park | City of<br>Minneapolis | County of<br>Hennepin |     |       |             |
| <b>OVERALL</b>   |        |            |                             |                        |                       |     |       |             |
| Response to NOFA   | Jul-09 | X          |                             |                        |                       |     |       |             |
| Notification of Award  | Dec-09 | X          |                             |                        |                       |     |       |             |
| Authorization for acceptance and contract of award   | Jan-10 |            | X                           | X                      | X                     |     |       |             |
| Contracting with HUD   | Jan-10 | X          |                             |                        |                       |     |       |             |
| <b>A. Financing mechanisms: Foreclosed home and residential properties</b>   |        |            |                             |                        |                       |     |       |             |
| Drafting of Legal Documents  | Jan-10 |            | X                           | X                      | X                     |     |       |             |
| Commence Marketing of Program  | Jan-10 |            | X                           | X                      | X                     |     |       |             |
| Contracting with Administrator   | Feb-10 |            | X                           | X                      | X                     |     |       |             |
| Percentage of Households Served  |        |            |                             |                        |                       |     |       |             |
| 25% of Total   | Jan-11 |            | 12                          | 50                     | 33                    | 95  |       | \$950,000   |
| 50% of Total   | Jan-12 |            | 25                          | 100                    | 68                    | 193 |       | \$1,930,000 |
| 75% of Total   | Jul-12 |            | 37                          | 150                    | 101                   | 288 |       | \$2,880,000 |
| 100% of Total  | Jan-13 |            | 50                          | 200                    | 135                   | 385 |       | \$3,850,000 |
| <b>B. Acquisition rehab - Homeownership/Rental - City or developer driven Foreclosed or abandoned homes and residential properties</b> |        |            |                             |                        |                       |     |       |             |
| Identification of Potential Developers   | Jan-10 |            |                             |                        |                       |     |       |             |
| Selection of Developers  | Mar-10 |            |                             |                        |                       |     |       |             |
| Authorization from City Council/Board of Commissioners on announcement of awardees   | Apr-10 |            |                             |                        |                       |     |       |             |
| Drafting of Contracts with the Developers  | Jun-10 |            |                             |                        |                       |     |       |             |
| Contract Signing   | Jul-10 |            |                             |                        |                       |     |       |             |
| Commencement of Acquisition  | Jul-10 |            |                             |                        |                       |     |       |             |



| Percentage of Households Served (Completion Certificate Issued)     |        |   |           |           |           |     |              |
|---|--------|---|-----------|-----------|-----------|-----|--------------|
| 25% of Total  | Jul-11 |   | 17        | 68        | 5         | 90  | \$5,400,000  |
| 50% of Total  | Dec-11 |   | 35        | 137       | 10        | 182 | \$10,920,000 |
| 75% of Total  | May-12 |   | 52        | 206       | 15        | 273 | \$16,380,000 |
| 100% of Total   | Dec-12 |   | 70        | 275       | 20        | 365 | \$21,900,000 |
| <b>C. Land banking (Create &amp; Operate) Foreclosed Homes only</b> |        |   |           |           |           |     |              |
| Create/Operate a Land Bank (3 Years Funding)                        |        | X | \$150,000 | \$600,000 | \$300,000 |     | \$1,050,000  |
| Acquisitions  |        |   |           |           |           |     |              |
| 25% of Total  | Sep-10 |   | 0         | 75        | 1         | 76  | \$3,850,000  |
| 50% of Total  | Sep-11 |   | 1         | 150       | 2         | 153 | \$7,800,000  |
| 75% of Total  | Sep-12 |   | 2         | 225       | 3         | 230 | \$11,750,000 |
| 100% of Total   | Jan-13 |   | 3         | 300       | 5         | 308 | \$15,800,000 |
| Disposition Commences   | Apr-12 |   |           |           |           |     |              |
| <b>D. Demolition - Blighted properties</b>                          |        |   |           |           |           |     |              |
|   | N/A    |   |           |           |           |     |              |
| <b>E. Redevelopment</b>   |        |   |           |           |           |     |              |
| Identification of Potential Developers                              | Jan-10 |   |           |           |           |     |              |
| Selection of Developers   | Apr-10 |   |           |           |           |     |              |
| Authorization to contract with Developer(s)                         | May-10 |   |           |           |           |     |              |
| Contract signing with Developers                                    | Jul-10 |   |           |           |           |     |              |
| Acquisition Commencement  | Sep-10 |   |           |           |           |     |              |
| Percentage of Households Served (Completion Certificate Issued)     |        |   |           |           |           |     |              |
| 25% of Total  | Sep-11 |   | 0         | 2         | 1         | 3   | \$200,000    |
| 50% of Total  | Jan-12 |   | 1         | 5         | 2         | 8   | \$550,000    |
| 75% of Total  | May-12 |   | 1         | 7         | 4         | 12  | \$850,000    |
| 100% of Total   | Dec-12 |   | 2         | 10        | 5         | 17  | \$1,200,000  |

### **C. Income Targeting for 120 Percent and 50 Percent of Median (5 points)**

The Consortium is committed to creating strategic affordable housing opportunities within the target areas. The Consortium intends to contract with reputable developers that have a history of good performance in the target area. They will be encouraged to work with local contractors. Within the Twin Cities, the members of the Metropolitan Consortium of Community Developers (MCCD) has been key to the development activities in the target area. The responses received in the NSP1 Request for Proposals were impressive and based on discussions with MCCD, their membership has the capacity to fulfill the obligations in NSP2.

In Minneapolis, the majority of the foreclosures are concentrated in existing low income CDBG target areas where the average median income of the residents is 71% of AMI. Activities performed in these areas will provide both a direct and indirect benefit to residents whose incomes are at or below 120% of AMI and in most areas the average income of the residents is below 80% AMI.

All programs will be targeted to households at or below 120% of AMI. Each Consortium member will use 25% of the total funds they receive to provide housing to households at 50% AMI. The Consortium will partner with non-profit community development organizations to meet the requirement for providing homes to households whose incomes do not exceed 50% of AMI. Examples of models that will be utilized to provide long-term affordable housing to families at or below 50% of AMI include:



- **Reduce home construction costs:** Utilize in-kind services and donations to reduce the construction costs of the homes
- **Specialized mortgage products:** Utilize specialized mortgage products held by non-profit organizations
- **Land trust:** Sell a home to a family at an affordable price, with a non-profit holding the land and offering a 99 year ground lease.
- **Buyer assistance:** Provide affordability assistance to buyers using NSP2 funds to bring the mortgage amount to a level affordable to the family. The loan term will be based on the HOME required periods of affordability.

Additionally, in **Activity A—Financing**, some of the funds that will be used will assist homeowners at 50% AMI experience homeownership. This alone may not be sufficient the suburban Hennepin target area because the sales price may be out of reach for households at this level and may warrant more subsidies. Hennepin County and Brooklyn Park both plan to provide some additional subsidies when applicable to home buyers through **Activity B—Purchase and Rehab**. In Minneapolis all multi-unit projects (2-7 units) that will fall in this activity will be required to be rental projects and serve households at 50% AMI. Additionally, there are other developers who will be required to design their single-family projects to cater to the same audience—households at 50% AMI. Examples include City of Lakes Community Land Trust, West Hennepin Affordable Housing Land Trust and Twin Cities Habitat for Humanity. In **Activity C—Land Bank**, though the intent is to hold on to there properties long term, until the absorption rate reduces and new construction makes becomes appropriate in the market place, some of these units may be developed earlier and households at 50% AMI served will be counted toward the 25% requirement. Lastly, most, if not all of the units produced under **Activity E—Redevelopment**, will be made available to households at 50% AMI.

#### **D. Continued Affordability (5 points)**

“Continued affordability” shall be in accordance with the HOME program standards at 24CFR 92.254 for ownership housing and 24CFR 92.252(a), (c), (e) and (f) for rental properties. In the case of rental, “Affordable Rents” shall mean the Maximum Allowable HIGH HOME Rents as published by HUD from time to time. Additionally, it will not exceed 30 percent of the adjusted income of a family whose annual income equals 65% of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit. If the tenant pays utilities, a utility allowance would need to be subtracted, as these rents include utilities.

Properties for rental will have affordability periods based on the amount of assistance provided per unit, as shown on the table on the following page. To ensure that developers meet the requirements during the affordability period the requirements and repayment terms would be spelled out in a promissory note, along with a mortgage and declaration or other instrument filed against the property that would require repayment if there is noncompliance

Properties for homeownership developed in partnership with for-profits and non-profits will be sold for their maximum NSP sale price. The developer will be required to repay NSP funding to the extent possible from the sale proceeds. If there are insufficient proceeds to repay the total NSP investment and to ensure that NSP-assisted homeownership properties will remain



affordable to low/moderate /middle-income homebuyers, either a resale provision or a recapture provision will be implemented.

- ♦ Properties where it practical and feasible to ensure resale, like land trust units, will be structure using the resale provision for the required affordability period, which is based on the total amount of assistance provided for the property. The resale provision will be enforced through a Declaration of Covenants and Restrictions (the Declaration). The provisions in the Declaration will include:
  - a restriction on the resale price of the NSP-assisted property to exceed 95 percent of the area median purchase price or after-rehabilitation price for the type of single family housing in this jurisdiction, as determined by HUD; and
  - a clause ensuring the initial purchaser with a fair return on their initial investment; and
  - a clause requiring owner occupancy.

The Declaration will be filed against the property and if a “land trust” property, it will also be included as an addendum to the ground lease.

- ♦ Properties where it is not practical or feasible to ensure resale will use the recapture provision by providing direct assistance to the homebuyer. The direct assistance will be provided as a deferred, zero interest loan due and payable if the property is no longer owner-occupied, sold or transferred before the end of the loan term. The loan term will be five (5) to fifteen (15) years based on the amount of funds given directly to the homebuyer at the property closing. The recapture provisions would be spelled out in a promissory note, along with a mortgage and a declaration that would be filed against the property to ensure the recapture and enforce the owner occupancy requirements.

The affordability period that the Consortium has adopted is based on the HOME affordability period established by HUD as follows:

#### **NSP Affordability Periods**

| <b>Per unit amount of NSP funds for Rehab or Acquisition of Existing Housing</b> | <b>Minimum Period of Affordability</b> |
|--|--|
| Under \$15,000   | 5 Years                                |
| \$15,000 - \$40,000  | 10 Years                               |
| Over \$40,000  | 15 Years                               |

#### **E. Consultation, Outreach, Communications (5 points)**

Governmental entities and the non-profit community in the Twin Cities region made a strong effort to coordinate NSP2 planning to ensure strategic targeting of resources to stabilize neighborhoods highly impacted by foreclosure. The State of Minnesota facilitated the early discussions about NSP2 funds and collaborative partnerships. Hennepin County provided information on the NSP2 application to all cities in Hennepin County with HUD eligible census tracts and invited all cities to a meeting held on May 28, 2009. Other potential local partners were also invited to this meeting to discuss the coordination of a neighborhood stabilization plan. After that time, a number of meetings were held with potential regional partners, and it was determined how each of the Consortiums would be established and which organizations would assist the Consortium develop and implement NSP plans and activities. The Minnesota



Foreclosure Partners Council was also instrumental in assisting the Consortium during this process.

Outreach efforts to the community will and have been conducted via media outlets, the internet and public hearings. All NSP2 information will be included on the Consortium's members website.

#### **Affirmative Marketing Actions**

Consortium members will follow Affirmative Marketing Plans and Limited English Proficiency Plans to ensure equal participation, including emerging markets.

#### **Continued Communication with Citizens and Stakeholders**

The Consortium members regularly communicate with and engage citizens and stakeholders in the Neighborhood Stabilization Program and foreclosure recovery efforts. There is one website, [www.ci.minneapolis.mn.us/foreclosure/NSP.asp](http://www.ci.minneapolis.mn.us/foreclosure/NSP.asp), from which to access information on the City of Minneapolis, City of Brooklyn Park and Hennepin County NSP activities with links to all key partners. Information on NSP resources, applications, request for proposals, and awards are regularly updated on the website and emailed out to stakeholders, including neighborhood organizations. This information is also advertised and published at the county wide and neighborhood level news media as appropriate. Foreclosed property information is provided monthly by neighborhood. Consortium staff regularly attend neighborhood and community events to promote NSP activities and goals. Consortium members organize and participate in housing fairs. Communication on NSP activities is a collaborative effort involving community developers, housing and service providers, realtors, lenders, and governmental, philanthropic and community leaders to effectively provide information and receive input on and support for NSP activities.

To reposition local housing markets, Minneapolis partnered with St. Paul to launch Live MSP, [www.livemsp.org](http://www.livemsp.org), an informational and marketing initiative that celebrates city living, showcases all of the 100 plus neighborhoods of Minneapolis and Saint Paul, and educates people about the dozens of home purchase and renovation incentives available by neighborhood; including NSP properties and resources. Live MSP's mission is to promote the neighborhoods of Minneapolis and Saint Paul as a premier housing choice. Live MSP's goal is to recruit new and retain current residents in all of the cities' neighborhoods. Achieving this goal will: reduce residential vacancy rates in city neighborhoods; increase the cities' resource base; enhance overall city vitality; and improve environmental outcomes by encouraging homeownership in existing, compact, walkable, and transit-rich city neighborhoods.

#### **F. Performance and Monitoring (10 points)**

Based on a Consortium of three jurisdictions, a Consortium agreement has been reached by all parties with the City of Minneapolis being listed as the lead applicant. All of the functions of each of the four activities will be implemented by the appropriate jurisdiction with oversight being performed by the City of Minneapolis.

The City of Minneapolis as the lead Agency for the Consortium will be responsible for performance of the internal audit functions and placing information in the DRGR system as



projects are approved. To ensure that there are no risky areas of program operation and management, missing or ineffectual internal controls, areas that are not in compliance with program requirements and ineffective implementation of established policies, Hennepin County and Brooklyn Park will provide the City of Minneapolis a copy of their implementation plan, a list of all staff responsible for implementation of the program, their process for determining developers to perform NSP2 eligible activities, the names and addresses of the developers, the amount awarded to each developer, their process for determining direct homebuyer assistance, a list of the providers for their homebuyer education program, all documents that will be used to verify and certify compliance, and documents that will be used to ensure that the required affordability period will be met as defined above. Additional required information: use of funds, project name, activity, location, national objective, funds budgeted and expended, fund source, total amount of non-NSP funds, number of properties and housing units, beginning and ending dates of activities and number of low- and moderate-income persons/households benefiting from the activity.

The City of Minneapolis will perform a monthly review of all projects in process and place updates in the DRGR system to determine that they are in compliance with NSP2 requirements. Hennepin County and Brooklyn Park will provide the City of Minneapolis either electronically or via mail all relevant documents as required. The City of Minneapolis will perform quarterly onsite monitoring visits to review all files, processes and documents executed to date on each NSP funded project. Ten days after the 21<sup>st</sup> month, the City of Minneapolis will submit an official report via DRGR or another approved HUD system of all activities performed to date and all of the Consortium members will publish this report on their official website. Minneapolis will provide quarterly reports to HUD through the 33<sup>rd</sup> month of the program. These reports are to ensure that NSP funds are being spent in a timely manner and in compliance with the program regulations. Elfric Porte is the City of Minneapolis staff designated to perform the internal audit function for this program.

Home ownership project documents that will be required are, but will not be limited to:

- Documentation that the primary financing is a fixed rate FHA, VA, Fannie Mae or Freddie Mac insured or uninsured loan product that is generally considered in the lending industry to be an "A" or "prime" loan product. (Pending approval by HUD and MHFA, if applicable, and City, a contract for deed financing product may be allowed on a case by case basis.)
- Documentation that the homebuyer has completed 8 hours of homebuyer counseling at HUD-approved pre-purchase and housing maintenance workshops.
- Homebuyer Affidavit
- Homebuyer Note and Mortgage
- Homebuyer Household Characteristics Form
- Homebuyer declaration ensuring owner-occupancy during the required affordability period.



#### **FACTOR 4 – LEVERAGING, INTEGRATION, REMOVAL OF NEGATIVE EFFECTS (10 POINTS)**

Measures of leveraged investments and removal of destabilizing influence that will result from the use of the Consortium NSP2 award are identified below.

##### **A. Leverage**

The Consortium NSP2 leverage ratio is nearly one-to-one. The Consortium has firm commitments of \$37,450,000 in leveraged funds approaching a match to the \$48,180,000 request for NSP2 funds:

- The Family Housing Fund will provide \$17,950,000 for acquisition of foreclosed and abandoned property under NSP2.
- The Twin Cities Community Land Bank has allocated \$9,500,000 for land banking activities (\$4,500,000 million from the National Community Stabilization Trust and \$5,000,000 from the Community Reinvestment Fund).
- Greater Metropolitan Housing Corporation will contribute \$10,000,000 in the form of a revolving line of credit for acquisition and construction costs.

The nationally recognized and highly innovative Twin Cities Community Land Bank has raised and committed nearly \$46 million (\$27.45 million for Minneapolis, Brooklyn Park and Hennepin County) in a short time frame and has great potential for generating additional resources for neighborhood stabilization activities. This collaborative effort will maximize economies of scale and will advance viable policies and procedures to reduce costs and increase resource for these activities.

As a national leader in piloting the National Community Stabilization Trust First Look Program, the Consortium will continue ongoing successful efforts of acquiring foreclosed properties pre-market and at a substantial discount of appraised market value for rehabilitation, land banking and redevelopment activities. Of the 48 First Look properties purchased to date, the majority were purchased at an estimated 25% discount from the market value. The First Look Program anticipates that participating lending partners (eight national lenders: Wells Fargo, Chase, Citigroup, Fannie Mae, Freddie Mac, U.S. Bank, & GMAC have signed on to date) will control about 80% of the foreclosure market in the target areas in the coming months. The First Look Program is expected to continue to provide considerable leverage through purchase price reductions.

Currently, approximately \$16 million in non-federal assistance has been committed to the target areas to assist with neighborhood stabilization. Additionally, Consortium members and our developer partners are actively pursuing additional funding to further leverage NSP funds. The Consortium offers a unique public, private and philanthropic collaborative with a strong history of innovation in providing affordable housing opportunities and demonstrating success in substantially leveraging federal resources.

**B. Value of Destabilizing Influences Proposed for Removal**

Where a minimum of 20 vacant properties are planned to be acquired, rehabilitated or demolished, the following is the value of any destabilizing influences as calculating using the value of negative elements rubric.

| Consortium Member | NSP Activity                                      | Rubric*<br>$\frac{(1.5 * (XXX) + (YYY))}{(ZZZ)} =$              |
|-------------------|---|---|
| Minneapolis       | Acquire 275 Properties<br>Demolish 310 Properties | $\frac{(1.5 * (275) + (310))}{(1996)} = 0.36$                   |
| Brooklyn Park     | Acquire 70 Properties<br>Demolish 5 Properties    | $\frac{(1.5 * (70) + (5))}{(640)} = 0.17$                       |
| Hennepin County   | Acquire 20 Properties<br>Demolish 10 Properties   | $\frac{(1.5 * (20) + (10))}{(268)} = 0.15$                      |
| Consortium Total  | Acquire 365 Properties<br>Demolish 325 Properties | $\frac{(1.5 * (275+70+20) + (310+5+10))}{(1996+640+268)} = 0.3$ |

\* XXX= Total of vacant properties proposed to be addressed thru acquisition and rehab

YYY= Total of vacant properties proposed to be addressed via demolition

ZZZ = Total of all vacant residential properties in target area

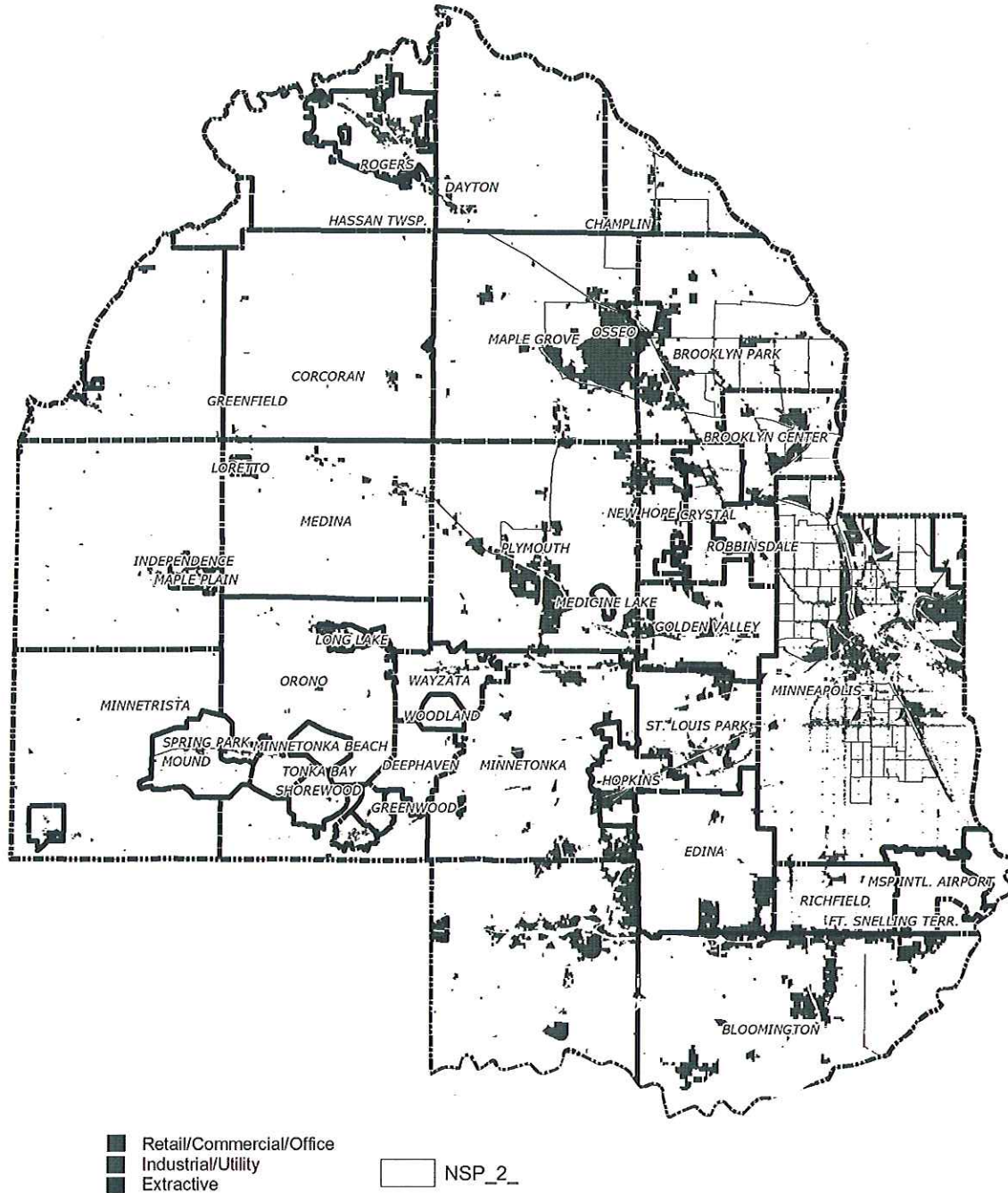
**FACTOR 5 - ENERGY EFFICIENCY (10 points)****A. Transit Accessibility (up to 4 points)**

Central to sustainable development is the connection between affordable housing, employment and transportation. Target areas are near existing rail transit, major bus line corridors, and planned transit ways and commuter rail metro-wide and between the urban core City of Minneapolis and the suburbs. There are planned metro commuter rails that are connecting most of the target areas with employment opportunities between the urban core and the suburbs (See Maps 4 and 5).

Eight of the nine census tracts in Brooklyn Park's target area contain at least one express bus line stop. The one census tract (268.19) that does not contain an express bus stop is within three-quarters of a mile of express service and contains local routes with 30 to 60 minute headways to reach express bus service within Brooklyn Park. Large, dedicated Park and Rides are located at three locations in Brooklyn Park and are all in targeted areas. The Park and Ride stops are located in the 268.07, 268.16, and 268.21 census tracts and not only contain express, but local bus service routes as well.

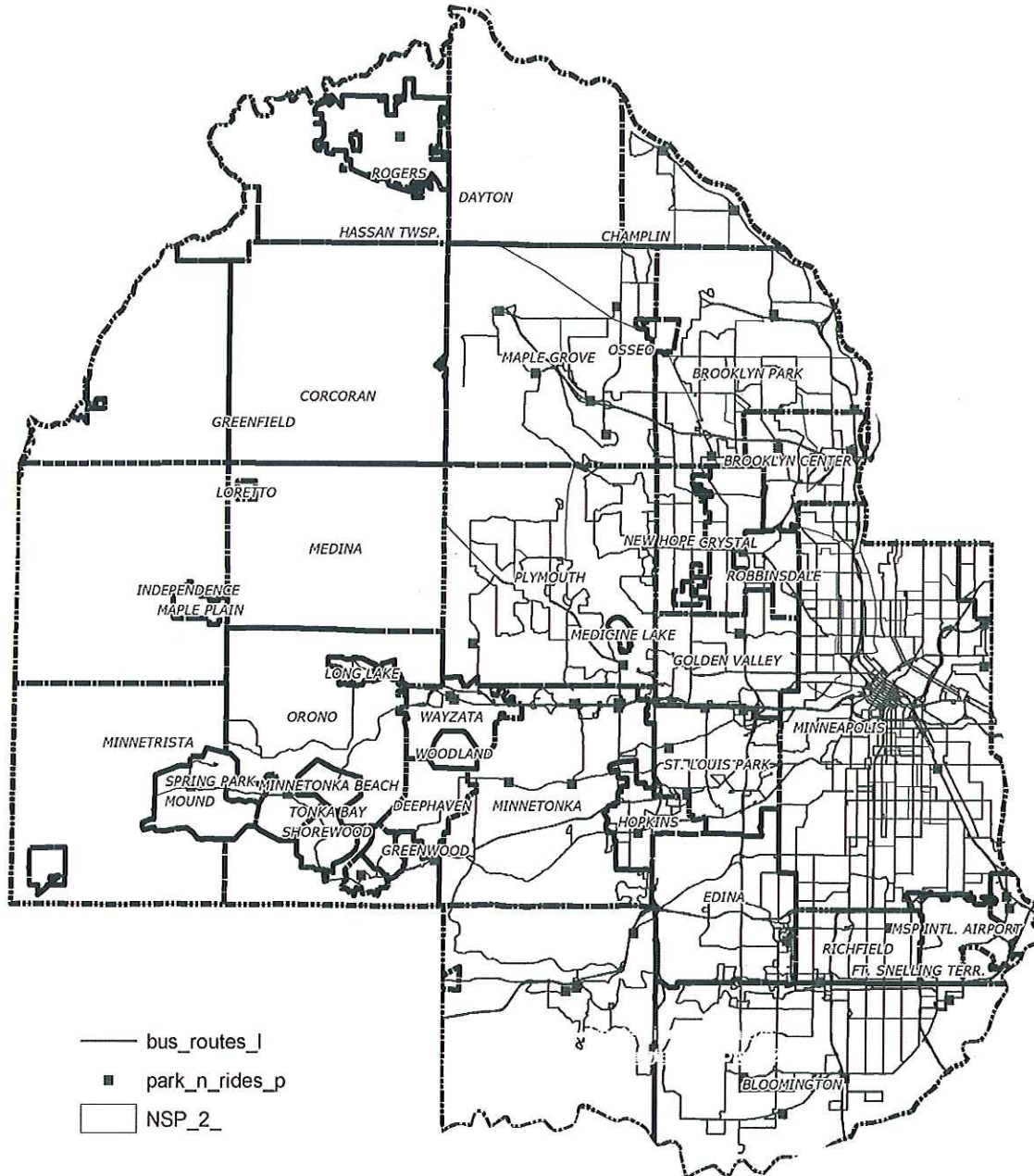


## Hennepin County Neighborhood Stabilization Program Employment Sites



Map 4: Hennepin County NSP Employment Sites

## Hennepin County Neighborhood Stabilization Program Bus Routes



Map 5: Hennepin County NSP Bus Routes



**B. Green Building Standards (up to 3 points)**

The Consortium members plan to use the same building standards that are being used in NSP1, which incorporate energy efficient and environmentally-friendly green elements for rehabilitation and new construction activities. Energy Star for New Homes standards will be applicable to all substantial rehabilitation activities, to the greatest extent possible. Energy Star products and appliances will be purchased for moderate rehabilitation and energy retrofit activities, when replacement is necessary. NSP2 homes will achieve Green Rehab Standards and meet the Minnesota Green Communities Criteria for Single Family Rehabilitation, as modified by Minnesota Housing under the NSP1 program.

([www.mnngreencommunities.org/publications/download/Specifications-for-Housing-Rehabilitation.doc](http://www.mnngreencommunities.org/publications/download/Specifications-for-Housing-Rehabilitation.doc)).

NSP2 activities will address several goals including preserving and incentivizing the rehabilitation quality, safety and unique character of affected housing stock. Rehabilitation activities will be of high standards and will encourage private reinvestment into neighboring properties. Rehabilitation standards will include housing maintenance standards, energy efficiency, lead abatement, and ease of maintenance and long term maintenance issues.

While the homes will be rehabilitated to be an asset to the neighborhood and to avoid high maintenance costs, some economies will be made to avoid excessive rehab costs. For example, newer roofs, furnaces, water heaters, etc., which function properly and with an expected 7 to 10 year usable life expectancy, would not be replaced. The general rule would be to ensure that the homeowner does not experience major replacement costs for a minimum of the first seven years of ownership, and that the home would be eligible for FHA financing. Additionally, efforts will be made to encourage the developers to institute green and sustainability techniques in the rehab projects. HUD Lead Safe Housing Rule, 24 CFR 35 will be followed in NSP-assisted housing activities.

NP2 proposed activities will occur in neighborhoods that are already receiving a high degree of municipal attention to code enforcement efforts and by its nature is designed to reduce the number of vacant and boarded buildings that is a feature of these highly impacted foreclosure communities.

**C. Re-use of Cleared Sites (1 point)**

All NSP2 funded demolition sites will be re-used within the term of the NSP2 grant as replacement housing, be land banked for redevelopment at a future date, or be made available for use as a community resource or as a community garden in the interim.

**D. Deconstruction (1 point)**

The consortium plans to use deconstruction activities of salvage and re-use materials resulting from demolition activities, whenever possible. Many of the community development partners hold accounts at the Re-Use Center in Minneapolis, where they can deposit and withdraw amenities and materials for re-use in rehabilitation projects. In addition, it is the standard practice of the Consortium members to employ salvage and re-use strategies whenever managing demolition of structures.

**E. Other Sustainable Development Practices (1 point)**

Where possible, passive solar and photovoltaic ready renewable energy will be incorporated in NSP2 activities. The NSP2 rehab activities will incorporate sustainable site design (For example, as feasible in the urban core and suburban target areas, projects will be located within one-quarter mile of at least two or one-half mile of at least four community and retail facilities), water conservation, use of energy efficient materials and promote healthy homes as incorporated in the Minnesota Green Communities Criteria for Single Family Rehabilitation ([www.mnngreencommunities.org/publications/download/Specifications-for-Housing-Rehabilitation.doc](http://www.mnngreencommunities.org/publications/download/Specifications-for-Housing-Rehabilitation.doc)).

**FACTOR 6 - NEIGHBORHOOD TRANSFORMATION AND ECONOMIC OPPORTUNITY (5 points)**

**Certification of Consistency with Comprehensive Plan**

The Metropolitan Council is the regional planning agency that serves the Twin Cities seven-county metropolitan area. Every 10 years, all cities in the Twin Cities, including cities in Hennepin County, must prepare comprehensive land use plans and submit them to the Metropolitan Council for review and approval to ensure each jurisdiction's comprehensive plan in the region is complete and is consistent with the regional plan. Hennepin County cities, including Minneapolis and Brooklyn Park, are in the process of updating their comprehensive plans, with the most recent versions submitted to the Metropolitan Council in 2008 or early 2009.

Every city's comprehensive plan provides a statement of community goals and policies that direct the logical and coordinated physical development of the city. With these goals in mind, proposed foreclosure redevelopment activities in this NSP2 proposal are aligned with the components of the comprehensive plans described below. By reference in this application, the City of Minneapolis and City of Brooklyn Park are certifying that proposed NSP2 strategies and activities are consistent with their comprehensive plans. Hennepin County certifies that the proposed NSP2 strategies and activities are consistent with the Comprehensive Plans for the following: City of Brooklyn Center, City of Champlin, City of Maple Grove, City of Mound, City of Rogers, and Hassan Township.

Links to the comprehensive plans may be accessed from the Consortium NSP2 website at [http://www.ci.minneapolis.mn.us/foreclosure/NSP\\_2.asp](http://www.ci.minneapolis.mn.us/foreclosure/NSP_2.asp)

The links to specific plans are also available at:

[http://www.ci.minneapolis.mn.us/cped/comp\\_plan\\_update\\_draft\\_plan.asp](http://www.ci.minneapolis.mn.us/cped/comp_plan_update_draft_plan.asp)  
[www.brooklynpark.org](http://www.brooklynpark.org)  
[www.ci.plymouth.mn.us](http://www.ci.plymouth.mn.us)  
[www.ci.brooklyn-center.mn.us](http://www.ci.brooklyn-center.mn.us)  
[www.ci.champlin.mn.us](http://www.ci.champlin.mn.us)  
[www.cityofrogers.org](http://www.cityofrogers.org)  
[www.townofhassan.com](http://www.townofhassan.com)  
[www.ci.maple-grove.mn.us](http://www.ci.maple-grove.mn.us)



## **NSP2 Activities and the Comprehensive Plans**

The Consortium's NSP 2 plan increases the effectiveness of the Consortium cities' comprehensive plans referenced above in the areas of housing, transportation, sustainable development, economic revitalization, and floodplain.

### **Housing**

The activities for which NSP 2 funds are requested are consistent with the comprehensive plans because the plans generally call for continuing to work to improve and protect the quality and character of residential neighborhoods and structures. Much of the housing stock in the Consortium's target areas need to be upgraded and the promotion of homeownership is a priority in the various communities to create more stable neighborhoods. NSP 2 increases the effectiveness of the housing goals of the comprehensive plans by providing funding to help preserve the existing neighborhoods.

### **Transportation**

Consistent with regional planning policy, the comprehensive plans support housing density in locations that are well connected by transit, and are close to commercial, cultural and natural amenities; encourage and support housing development along commercial and community corridors, and in and near growth centers, activity centers, retail centers, transit station areas, and neighborhood commercial nodes; and engage in dialogue with communities about appropriate locations for housing density, and ways to make new development compatible with existing structures and uses. As the market improves, NSP2 redevelopment activities will seek development of single family, owner-occupied housing; and, where density is desirable, NSP2 activity will support development of multi-unit housing along transit corridors.

### **Sustainable Development**

In general, the comprehensive plans supports: an increase in housing that is affordable to low and moderate income households; improving the stability and health of communities of concentrated disadvantage through market building strategies, and strategies that preserve and increase home ownership; complete communities by preserving and increasing high quality housing opportunities suitable for all ages and household types; maintaining the quality, safety and unique character of the cities' housing stocks; and preserving and strengthening community livability by enforcing high standards of property management and maintenance.

Reinforcing the goals of the cities' comprehensive plans, NSP2 financing, purchase/rehab, and redevelopment activities prioritize servicing low and moderate income households through subsidy financing and implementation of enforcement tools such as affordability periods, promissory notes, recapture provisions, and restrictive covenants. NSP2 proposed activities also address stable and healthy housing market communities through intense focusing of coordinated investments in targeted areas where the housing markets are experiencing dual effects of foreclosure and housing disinvestment. The Consortium's plan for the NSP2 funds also places special emphasis on green building and sustainable development practices to reinforce the regional and city specific goals of sustainable development outlined in the comprehensive plans.

**Economic Revitalization**

At various capacities, the comprehensive plans of the cities within the Consortium support pursuing the removal of barriers that prevent residents from holding living wage jobs and achieving economic self-sufficiency by improving the affordability and variety of housing choices for area workers. NSP2 proposed activities support these goals by focusing resources on the housing stock that provides housing options to low and moderate income households.

**Flood Plain Management**

The Consortium will check NSP2 project properties proposed for treatment against the floodplain zones mapped by the Federal Emergency Management Agency (FEMA). The Consortium will not provide HUD-funded assistance to any structure located within the 100-year flood plain.